

UNCLASSIFIED

AD NUMBER

AD317200

CLASSIFICATION CHANGES

TO: **unclassified**

FROM: **secret**

LIMITATION CHANGES

TO:
**Approved for public release, distribution
unlimited**

FROM:
**Controlling DoD Organization...Department
of the Army, Attn: Public Affairs Office,
Washington DC, 20310.**

AUTHORITY

**DA/OCS ltr, 9 Jun 1978; DA/OCS ltr, 9 Jun
1978**

THIS PAGE IS UNCLASSIFIED

UNCLASSIFIED

AD 317200

CLASSIFICATION CHANGED
TO: **UNCLASSIFIED**
FROM **SECRET**
AUTHORITY:

D/A OCS /tr, 9 Jun 78



UNCLASSIFIED

44 C
THIS REPORT HAS BEEN DELIMITED
AND CLEARED FOR PUBLIC RELEASE
UNDER DOD DIRECTIVE 5200.20 AND
NO RESTRICTIONS ARE IMPOSED UPON
ITS USE AND DISCLOSURE.

DISTRIBUTION STATEMENT A

APPROVED FOR PUBLIC RELEASE;
DISTRIBUTION UNLIMITED.

~~SECRET~~

AD

317 200

Reproduced by

Armed Services Technical Information Agency

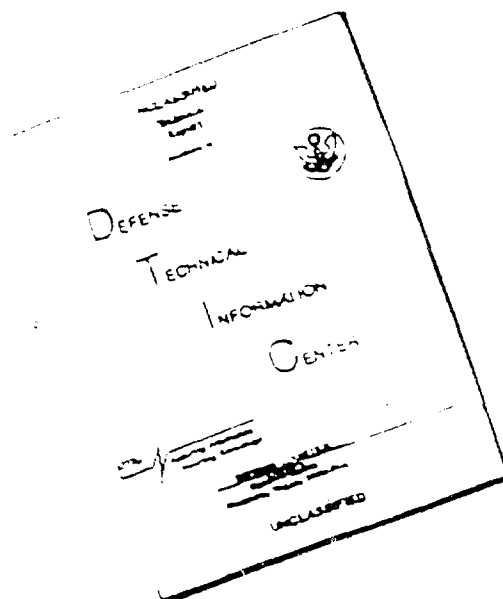
ARLINGTON HALL STATION; ARLINGTON 12 VIRGINIA

NOTICE: WHEN GOVERNMENT OR OTHER DRAWINGS, SPECIFICATIONS OR OTHER DATA ARE USED FOR ANY PURPOSE OTHER THAN IN CONNECTION WITH A DEFINITELY RELATED GOVERNMENT PROCUREMENT OPERATION, THE U. S. GOVERNMENT THEREBY INCURS NO RESPONSIBILITY, NOR ANY OBLIGATION WHATSOEVER; AND THE FACT THAT THE GOVERNMENT MAY HAVE FORMULATED, FURNISHED, OR IN ANY WAY SUPPLIED THE SAID DRAWINGS, SPECIFICATIONS, OR OTHER DATA IS NOT TO BE REGARDED BY IMPLICATION OR OTHERWISE AS IN ANY MANNER LICENSING THE HOLDER OR ANY OTHER PERSON OR CORPORATION, OR CONVEYING ANY RIGHTS OR PERMISSION TO MANUFACTURE, USE OR SELL ANY PATENTED INVENTION THAT MAY IN ANY WAY BE RELATED THERETO.

~~SECRET~~

ILLEGIBLE

DISCLAIMER NOTICE



THIS DOCUMENT IS BEST
QUALITY AVAILABLE. THE COPY
FURNISHED TO DTIC CONTAINED
A SIGNIFICANT NUMBER OF
PAGES WHICH DO NOT
REPRODUCE LEGIBLY.

ILLEGIBLE

10

Study of Policy Guidance Provided for US Military Government in Germany, WWII (U)

Part I

Prepared by

GOVERNMENTAL AFFAIRS I
1785 Massachusetts Avenue
Washington 6, D. C.
31 May 1954

Revised by

Leon Lipson

March 1960

Regraded CONFIDENTIAL
March 1963

Copy 2 of 25
ORO Log No. 80509

LOAN COPY

RETURN IN 90 DAYS TO

ASTIA

ARLINGTON HALL STATION
ARLINGTON 12, VIRGINIA

Attn: TISS

XEROX

FILE COPY

Return to

ASTIA

ARLINGTON HALL STATION
ARLINGTON 12, VIRGINIA

Attn: TISS

ILLEGIBLE

JUN 10 1960

TIPDR

The contents of ORO publications, including the conclusions and recommendations, represent the views of ORO and should not be considered as having official Department of the Army approval, either expressed or implied.

This document contains information affecting the national defense of the United States within the meaning of the Espionage Laws, Title 18, U. S. C., Sections 793 and 794. The transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

SECRET

OPERATIONS DIVISION
Staff Paper ORO-SP-8 Part I
Published March 1960
Second Printing

Study of Policy Guidance Provided for US Military Government in Germany, WWII (U)

Part I

Prepared by

GOVERNMENTAL AFFAIRS INSTITUTE
1785 Massachusetts Avenue, N. W.
Washington 6, D. C.
31 May 1954

Revised by

Leon Lipson



OPERATIONS RESEARCH OFFICE
The Johns Hopkins University Bethesda, Maryland

SECRET

SECRET

First Printing
April 1957
Second Printing
March 1960

by

The Johns Hopkins University
OPERATIONS RESEARCH OFFICE
6935 Arlington Road
Bethesda, Md.

SECRET

SECRET

CONTENTS

PREFACE

SUMMARY

KEY TO CITATIONS

CHAPTER I - NATURE OF THE POLICY PROCESS

- THE RELATIONSHIP BETWEEN ORGANIZATION AND POLICY
- THE LOCUS OF POLICY FORMATION
- MILITARY GOVERNMENT AS ADMINISTRATION AND AS POLITICS

CHAPTER II - ORGANIZATIONS PARTICIPATING IN THE POLICY-MAKING PROCESS

- IDENTIFICATION OF PARTICIPANTS
 - THE WHITE HOUSE
 - THE DEPARTMENT OF STATE
 - THE DEFENSE ESTABLISHMENT
 - THE FOREIGN ECONOMIC ADMINISTRATION AND ITS PREDECESSORS
 - OTHER DEPARTMENTS AND AGENCIES
 - INTERDEPARTMENTAL COMMITTEES
 - COMBINED AND INTERNATIONAL BODIES
 - OVERSEAS COMMANDS AS PARTICIPANTS IN POLICY MAKING

CHAPTER III-- MILITARY GOVERNMENT PLANNING AND ORGANIZATION

- MILITARY GOVERNMENT DOCTRINE AND TRAINING
 - WASHINGTON PLANNING FOR MILITARY GOVERNMENT
 - Establishment and Functions of the Civil Affairs Division
 - Steps Toward Civilianization of Military Government
 - Specialized Phases of Planning
- MILITARY GOVERNMENT PLANNING AND ORGANIZATION IN THE THEATER
 - Military Government Planning in SHAEF
 - The United States Group Control Council
- THEATER MILITARY GOVERNMENT ORGANIZATION
 - The Dual Structure of Military Government
 - Internal Structure of USGCC/OMOUS
- MILITARY GOVERNMENT RELATIONSHIPS WITH OTHER AGENCIES IN THEATER
 - Department of State - Political Advisor
 - Reparations Mission
 - Other Civilian Missions

CHAPTER IV - MAJOR PRE-SURRENDER POLICIES - FROM CASABLANCA TO QUEBEC

- THE BEGINNINGS OF OCCUPATION POLICY
 - Factors Inhibiting Development of Firm Occupation Policies

SECRET

SECRET

- Development of a Limited Framework Policy
- Economic and Political Recommendations of the State Department
- Emergence of the "Hard Peace" School
- Policy Development in the War Department
- OPERATIONAL PLANNING FOR MILITARY GOVERNMENT
 - Status of Government-Level Planning in 1943 and 1944
 - The Basic Pre-Surrender Directives
- EVENTS LEADING TO THE MORGENTHAU PLAN
 - "Handbook Dispute"
 - Status of Planning on the Eve of the Morgenthau Plan
 - Establishment of the Cabinet Committee
- THE MORGENTHAU CONTROVERSY
 - The Morgenthau Plan is Introduced
 - Secretary Hull's Recommendations--The Revised Morgenthau Plan
 - Stimson's Campaign Against the Morgenthau Plan
 - The Quebec Conference and Thereafter

CHAPTER V - MAJOR PRE-SURRENDER POLICIES--THE EVOLUTION OF JCS 1067

- THE ORIGINAL JCS 1067
 - The "Pre-Morgenthau" Draft of 1 September 1944
 - The Directive of 24 September 1944
 - The Effect of JCS 1067 on Washington Planning
- THE ATTEMPT TO NEGOTIATE JCS 1067 AS A COMBINED DIRECTIVE
 - The Problem of Conflicting Policies 182
 - British Objections to JCS 1067
 - The Treasury Enters the Negotiations
 - Combined Negotiations Move Toward Deadlock
 - Abandonment of US/UK Negotiations on JCS 1067
- EFFECTS OF JCS 1067 ON THEATER PLANNING
 - Mixed Reactions to JCS 1067 in the Theater
 - Revision of the SHAEF Handbook
 - Theater Planning on Governmental Structures Under JCS 1067
 - Difficulties of Theater Occupation Planning
- IMPLEMENTATION OF YALTA--THE INFORMAL POLICY COMMITTEE ON GERMANY
- FINAL REVISION OF JCS 1067
- FINAL POST SURRENDER DIRECTIVE JCS 1067/6
- SURRENDER OF GERMANY AND THE ESTABLISHMENT OF MILITARY GOVERNMENT

CHAPTER VI - INITIAL POST-SURRENDER POLICIES

- OCCUPATION POLICY FACES THE TEST OF OPERATION
 - The "Hard Peace" Immediately Begins to Soften
 - The Implementation of JCS 1067/6
 - The Administrative Problem As Seen in Washington and in the Theater
- POST-SURRENDER ECONOMIC PROBLEMS
 - The Food Shortage Demands Immediate Action
 - Provisional Continuance of Combined Supply Procedures
 - The Washington Dispute Over Supply Responsibilities
 - First Steps in Developing a Coal Policy
 - The Economic Situation in July 1945

SECRET

POTSDAM AND ITS IMPLEMENTATION

- Basic Provisions of the Potsdam Protocol
- Economic Policies Under Potsdam
- General Clay Takes the Initiative on Reparations Policy
- First Steps in Denazification
- Restoration of German Governments

VOL. II

CHAPTER VII - FROM POTSDAM TO STUTTGART--THE SECOND PHASE OF POST-SURRENDER POLICY

THE FIRST RECONSIDERATION OF OCCUPATION POLICY

- The Reopening of Basic Policy Questions
- The OMGUS Standard of Living Report
- Clarification of Policy is Sought Through SWNCC
- The Byron Price Report
- OMGUS Views on the Revision of JCS 1067/6
- The Department of State Reinterprets Economic Policy

THE PRINCIPLE OF UNITY IN OCCUPATION ADMINISTRATION

TRANSFER OF DENAZIFICATION TO THE GERMANS

- Development of a German Denazification Law
- Release of Mandatory Arrestees
- Difficulties in Operation of the Denazification Law
- The Amnesties

ISSUES INVOLVING INTER-ALLIED NEGOTIATIONS

- The Level-of-Industry Agreement
- German External Assets
- Central German Agencies--Efforts to Overcome French Opposition to their Establishment

ECONOMIC PROBLEMS OF EARLY 1946

- Resistance to Reopening of Normal Trade Channels
- Moratorium on Foreign Investments in Germany
- The 1946 Food Crisis
- Renewed Controversy Over Allocation of Coal

STEPS TOWARD BIZONAL UNIFICATION

- The Possibility of Partial Unification of Germany is Broached
- Intensified Planning in Washington and the Theater
- The Offers to Merge Zones Economically is Made and Accepted by the British

RESTATEMENT OF UNITED STATES OCCUPATION POLICY

- Policy Making in The Department of State
- Policy Controversy Between Washington and Berlin
- Secretary Byrnes' Stuttgart Speech

CHAPTER VIII - MAJOR POLICIES OF THE BIZONAL PERIOD

THE STUTTGART SPEECH LEADS TO RECONSIDERATION OF BASIC POLICY

DEVELOPMENTS IN THE FIELD OF GOVERNMENTAL STRUCTURES

- Organization of the Initial Bizonal Machinery
- Approval of Land Constitutions for the US Zone

SECRET

ADOPTION OF A CURRENCY REFORM POLICY ECONOMIC PROBLEMS OF THE BIZONAL PERIOD

- Problems and Policies in the US Zone
- Bizonal Pooling of Import Costs and Export Proceeds
- The Bizonal Food Crisis of 1947

THE MOSCOW MEETING OF THE COUNCIL OF FOREIGN MINISTERS

- The Control Council and the Deputies Report Only Disagreement
- The US Delegation in Moscow as a Source of American Policy
- US Economic Policies Stated at Moscow
- US Governmental Policies Stated at Moscow

THE NEW BASIC DIRECTIVE (JCS 1779)

- The SWNCC Draft of 11 April 1947
- A Revised Draft Incorporates a New Occupation Policy
- The New Directive is Issued to Military

REVISION OF BIZONAL ORGANIZATION AND ECONOMIC ARRANGEMENTS

- Centralization in Frankfurt and Establishment of the Economic Council

- Revision of Bizonal Economic Arrangements - US Majority Vote on Economic Matters

- The Final Reorganization of Bizonal Machinery

PROBLEMS OF STATE-ARMY-OMGUS LIAISON

CHAPTER IX - THE MARSHALL PLAN AND THE DISMANTLING ISSUE

INCLUSION OF GERMANY IN THE EUROPEAN RECOVERY PROGRAM

THE REVISED LEVEL-OF-INDUSTRY PLAN OF 1947

- Dispute Between the State and War Departments
- The Revised Level-of-Industry is Published in Spite of French Objections

REPARATIONS DISMANTLING BECOMES A POLITICAL ISSUE

- The Reparations Program is Criticized in Congress
- ERP Hearings Provide the Occasion for Debate on Reparations
- Congress Investigates the Dismantling Program
- The State Department and OMGUS Resist Pressure to Reduce Further the Dismantling Program

PROBLEMS OF ERP POLICY AND ADMINISTRATION

- The Issue of Fiscal Responsibility
- The Question of Policy Control
- Washington Participation in Detailed Administration
- Political Procurements
- The Counterpart Funds Issued
- Question of the Status of the ECA Mission in Germany
- The Signing of the ERP Agreement for Bizonia is Delayed
- The CARRIOA Appropriation is Extended to Include "Recovery"
- OMGUS is Caught in a Financial Squeeze

REVISION OF REPARATIONS LISTS UNDER THE EUROPEAN RECOVERY ACT

- The State and Army Departments Defend the Dismantling Program
- Cabinet and Diplomatic Consideration of Reparations
- Congressional Action on Dismantling is Indicated

SECRET

SECRET

Establishment of the Cabinet Technical Commission
Lack of Information Hampers Consideration of the Dis-
mantling Program
Report of the Cabinet Technical Commission
The Humphrey Committee and Its Report
THE PROHIBITED AND RESTRICTED INDUSTRIES (PRI) ISSUE
SETTLEMENT OF THE DISMANTLING AND PRI ISSUES
Action on the Humphrey Report
The Shipbuilding Controversy
The Agreements of April 1949 and Later Modifications

CHAPTER X - FINAL PHASES OF MAJOR POLICY

THE CURRENCY REFORM

US Policy in Quadripartite Negotiations
The Question of Currency Printing is Referred to Washington
The Currency Question Remains Deadlocked Throughout 1947
The Final Attempt to Achieve Four-Power Currency Reform
A West German Currency Reform Carried Out

THE CONCLUSION OF DENAZIFICATION

FIRST STEPS TOWARD WEST GERMAN GOVERNMENT

Failure of the Final Attempt to Achieve German Unity
The First Session of The London Six-Power Conference
Interim Discussions In Berlin
The Resumed London Conference Results in Agreement
Negotiations With Ministers-President Under London Agreement
The Parliamentary Council Goes to Work But Hits a Deadlock

DEVELOPING THE NEW PATTERN OF OCCUPATION ADMINISTRATION

Theater Negotiations On The Occupation Statute
Theater Negotiations on Tripartite Military Government Fusion
Occupation Statute and Fusion Are Referred to the Diplomatic
Level

Agreements Are Reached on Ruhr Control and Military Security

ESTABLISHMENT OF WEST GERMAN GOVERNMENT AND PHASE-OUT OF MILITARY GOVERNMENT

Deadlock in London and in Bonn
The Three-Power Foreign Ministers' Conference Breaks the
Deadlock
The Electoral Law
The Paris CFM, Trizonal Fusion, and the Ruhr Authority
Agreements for Transfer of Occupation Administration to
the State Department
Final Policy Questions--Patent Office and ERP Mission
West German Government Becomes Operative and Military
Government Terminates

SECRET

CHAPTER XI - FINDINGS AND RECOMMENDATIONS
INTRODUCTORY
FINDINGS
RECOMMENDATIONS

SECRET

SECRET

PREFACE

This study was prepared under a research contract calling for examination of guidance to the US Military Government of Germany during and after World War II. Its object was to derive—from an appraisal of the processes by which military government policies were developed, criticized, modified, executed, and reported—some lessons to help planning for organizations and procedures in future military government. The content of military government policies was to be considered in relation to these processes, rather than appraised for fairness, wisdom, or appropriateness in terms of larger US goals.

The form and content of communications between Washington and the theater, however, were, throughout the history of military government, inextricably connected with the shifting policy struggle in Washington. It proved impossible to analyze the content of and the range of discretion afforded by guidance without at the same time considering the genesis of the policy on which the guidance was based. In other words, the policy could not be understood except as a result of the political or administrative processes which created it. Some attention had to be paid, therefore, if only for the sake of clarity, to the relationships between various executive agencies, the rise and fall of individuals and cliques, and the changing patterns of official opinion.

Although inter-agency politics at times figure prominently in the discussion, the present study is not intended as a history of the competitive

SECRET

PREFACE

This study was prepared under a research contract calling for examination of guidance to the US Military Government of Germany during and after World War II. Its object was to derive—from an appraisal of the processes by which military government policies were developed, criticized, modified, executed, and reported—some lessons to help planning for organizations and procedures in future military government. The content of military government policies was to be considered in relation to these processes, rather than appraised for fairness, wisdom, or appropriateness in terms of larger US goals.

The form and content of communications between Washington and the theater, however, were, throughout the history of military government, inextricably connected with the shifting policy struggle in Washington. It proved impossible to analyze the content of and the range of discretion afforded by guidance without at the same time considering the genesis of the policy on which the guidance was based. In other words, the policy could not be understood except as a result of the political or administrative processes which created it. Some attention had to be paid, therefore, if only for the sake of clarity, to the relationships between various executive agencies, the rise and fall of individuals and cliques, and the changing patterns of official opinion.

Although inter-agency politics at times figure prominently in the discussion, the present study is not intended as a history of the competitive

SECRET

efforts of individuals and groups in Washington or elsewhere to form or influence military government policy. Also no attempt has been made to evaluate the underlying theses which were the basis for various policies, such as assumptions about German "war guilt" and about aggressiveness as a German rather than a Nazi characteristic. In no way belittling philosophical and moral questions, this inquiry is limited by its frame of reference to operational phenomena, moral judgments being left to the reader.

A number of other factors influenced the formulation of policy during this period. Of major importance were the current relations between the executive agencies and Congress and developments such as the election of the Republican 80th Congress. Of equal impact were changes in public opinion, as reflected in the press and in popular as well as scholarly periodicals, not to mention the constant flow of letters from the public to administrative officials. Finally, there was the continuing international struggle for power—a struggle profoundly affected, in ways that only gradually came to be understood, by the elimination of Germany and Japan as major powers. This study alludes to such factors from time to time but makes no pretense to exhaustive treatment of them.

One other point needs to be made. The volume of available documentation on military government, including both the records of the Civil Affairs Division and other Washington agencies and those of the CMGUS Headquarters and field installations, is overwhelming. Even these files that may reasonably be expected to contain policy papers as distinguished from purely routine case files run into the thousands of feet (one foot averages 2000 pages).

SECRET

It was necessary to limit the scope of the research even within the three areas assigned--(a) economics and finance, (b) restoration or utilization of civil governments, and (c) treatment of politically undesirable elements in the population of occupied areas.

Within each area, therefore, several topics have been selected to illustrate the process of policy formation and transmission. These have been treated rather fully, while other topics have been omitted. Thus, the economic sections deal with the level of industry, food supply, and the Marshall Plan, but not with decartelization. In the field of finance, considerable attention is given to currency reform, but no attempt has been made to trace the development of policy on bank reform or cashing of prisoner-of-war certificates. Nor are Berlin affairs mentioned, except as background for policies affecting Germany as a whole or Western Germany. These exclusions were arbitrary, but they were necessary in order to avoid superficiality within the set limitations of time and personnel.

SECRET

SUMMARY

PURPOSE

To examine the history of policy formulation for US Military Government in Germany during and after World War II and to determine what can be learned from that experience that will be useful in planning the organization and procedures for developing firm guidance for future Army operations in this field.

FACTS

With the entry of US forces into Germany on 11 September 1944, US commanders in the field were confronted not only with the tactical problem of inflicting final defeat upon the German military forces but with the additional task of exercising authority for the US Government over the lands, properties, and inhabitants of an occupied enemy territory. In the areas that came under US control, the passage of modern war had left severe dislocations of the civilian population, economic paralysis, and an almost complete collapse of civil authority. The military government job of the Army under these circumstances was a big one. It was also an important one. In providing for the care and control of civilian populations, the prevention of disease and unrest, and the establishment of conditions behind the fighting lines that would facilitate rather than hinder operations against the enemy, military government directly supported tactical operations and contributed to the attainment of final military victory.

SECRET

After the cessation of hostilities, the military government responsibilities of the Army increased rather than diminished. With the defeat of Germany, the problem of consolidating military victory and of accomplishing US objectives in an occupied Germany remained. The only agency experienced and equipped for the type of operation required by the occupation was the Army and, for more than four years, it served as the responsible agent for carrying out US plans and programs for a defeated Germany.

As only the executor of US policy for occupied Germany, however, the military government organization in the theater was dependent on adequate and timely guidance from higher echelons. Basic questions about the treatment to be accorded a defeated enemy population, about the kind of economic life to be sought for Germany, about the kind of government and civil administration to be permitted, for example, had to be answered. These questions, moreover, involved issues of national policy and US foreign relations and, as such, required decisions at the highest policy-making levels of government.

The development of policy for the conduct of military government in Germany, however, was complicated by a number of factors. One of the most important of these was the fact that, prior to the war and in its early stages, relatively little attention had been devoted to planning for military government operations by either the War Department or the civilian agencies. As a consequence, the policy requirements for military government were neither fully established or known during the important pre-operational planning period. Of equal importance was the fact that military

SECRET

SECRET

government policy involved the functions of a number of government agencies and required coordination of the policy interests of all the agencies concerned. Arriving at a unified policy position, under these circumstances, presented special difficulties. During the initial period of policy formulation for Germany, in fact, unresolved questions of inter-agency relations and of the status of various departments contributed to a shifting policy struggle which, in turn, influenced the form and content of communication between Washington and the theater.

Other factors also played an operational role in the policy-forming process for military government during and after World War II. Among them were the changing patterns of public opinion, the international struggle for power resulting from the elimination of Germany and Japan as major powers, and the role of Congress, which, during this period, varied between reflecting the policies of the administration and taking the initiative in creating a legislative framework within which the administration had to make its policies. Finally, the fact that Germany was occupied by several powers (a circumstance that required negotiating US policy on quadripartite, tripartite, and bipartite bases) complicated further the formulation of occupation policy during this period.

The development of general US policy is, of course, outside the Army's direct field of action. The Army does have a direct interest, however, in such questions as the extent of its own participation in the policy formulation process for military government at the inter-departmental level in Washington, the role of the theater commander and his military government

SECRET

field organization in helping to determine basic policies, and the degree of freedom to be permitted the theater commander in developing sub-policies or the details of general policy that are to be applied in the occupied area. Problems in the formulation of policy for military government, moreover, represent variables which advance planning for future occupations must take into consideration.

In this regard, the US experience in providing policy for the occupation of Germany during and after World War II offers a useful case study. The occupation in the case of Germany was a total one and the military government operations undertaken were more varied and extensive than in any other area occupied by US armed forces. In addition, the stakes were high, involving as they did no less than world peace. As a result, nearly all possible policy problems were presented. While it is not to be expected that all of the same problems will reappear in future occupations or that what held true for Germany will hold true for another time or another place, the factors involved and the policy problems encountered all, directly or by analogy, have some meaning for conceivable future situations.

DISCUSSION

Three functional areas for which military government policy for Germany was developed were emphasized in the study: (a) economics and finance; (b) restoration or utilization of civil governments; (c) treatment of the occupied population, particularly the treatment of politically unreliable elements within the population. Within each of these functional fields,

SECRET

SECRET

several topics have been selected which illustrate the process of policy formation and transmission. The approach in this instance has been representative rather than exhaustive however. The interrelationship of the policies in each of the three functional fields, moreover, made it necessary to deal with each of them in an integrated way rather than separately, function by function.

In dealing with how military government policy was formulated and furnished in typical situations, the form and content of guidance had necessarily to be considered. The primary concern of this study, however, has been with the processes by which military government policy for the occupation of Germany was developed. Accordingly, the facts sought out were those bearing on the following questions: What significant steps occurred in the formulation of policy; What problems were encountered in the development of timely guidance for the theater and how did they arise; What information was available to agencies responsible for the formulation and issuance of policy guidance; What positions were taken respectively by the military and other US government agencies on policy questions and what were the bases of these positions; and what was the basis upon which the policy issues were finally resolved (if resolved)?

With respect to the transmission of policy guidance, the focus of attention throughout the study has been on the Washington-Theater axis of communication. Communications constituting guidance from the government level to the military government level in the theater, however, were of many types and by no means all of them originated in Washington. Included

SECRET

among the sources of policy considered were: formal directives; drafts of proposed formal directives; international agreements and understandings (such as those of Yalta and Potsdam); public policy statements of government officials; US policy papers introduced in international conferences; orders, guidance, and suggestions given in day-to-day letters, cables, and teleconferences; and guidance given in personal conferences, either in Washington or the theater. It was also, of course, necessary to review communications in the reverse direction — from the theater in Washington. These included: requests for policy or guidance from the government level; reports of conditions which government-level agencies considered to require governmental policy or guidance or modification thereof; recommendations of policies for adoption at the government level; and statements of policies adopted at the theater level or indications of the ability or desire to develop such theater-level policy.

SECRET

SECRET

CONCLUSIONS

1. During the period of hostilities and the early part of the occupation of Germany, most officials in the US Government who could have made decisions or decisive recommendations did not well understand the character of the problems posed for the US by the defeat and occupation of Germany.
2. The major difficulty in developing US policy for the occupation of Germany stemmed from the lack of advance planning and the failure to think through long-range policies. This state of affairs was due, in part, to the refusal of the President to make firm decisions about post-war US policy and the failure of the Department of State to exercise leadership in this field. It was also due to the fact that many responsible civilian and military officials wrongly applied to occupation issues a supposed distinction between political and military policy.
3. The development of specific occupation policies for Germany during the early planning period was also hampered by the fact that organizational lines did not clearly establish the authority and responsibility for policy formulation and the fact that no clear central coordination mechanism existed to expedite decision making in this area. Authority for the development of policy was distributed among a number of governmental agencies with the result that the War Department, seeking guidance for operational planning, could find no agreed source of policy.

SECRET

4. The vacuum of policy concerning the occupation of Germany was finally filled by short-term, interim policies on which individuals and groups in other government agencies (principally in the Foreign Economic Administration and the Treasury) exerted an influence greater than was justified by their proper role.
5. Once an interim policy was announced, operational planners in the War Department and especially in the theater, lacking a guide to long-range policy, were forced either to drift with the tide of events, to make independent assumptions on long-range objectives, or to defer to the interim policy as if it correctly reflected long-range objectives. They usually chose the last course.
6. The initial policy settled on for the occupation of Germany soon proved inadequate because it covered only short-term objectives, was developed from a combination of military requirements, and was based almost solely on a punitive philosophy. The initial policy also proved unsatisfactory in content for a number of reasons. Among them:
 - a. It placed the responsibility for recovery and maintenance of the German economy on the Germans themselves but forbade the establishment of a central government organization to regulate the economy and assist in its recovery.
 - b. It failed to give due weight to the problems of European economic recovery and the role that Germany would have to play as an essential component in the European economic system.
 - c. Its repressive features tended to create dissatisfaction and unrest among Germans that could have endangered the occupation forces.
 - d. It failed to command the respect and concurrence of many of the Americans in the field charged with the duty of carrying it out.

SECRET

7. The interim occupation policy for Germany, having acquired an existential value regardless of its merits, delayed for some time the necessary formulation of long-range policies to serve long-range US objectives. It also proved to be an obstacle in the way of fulfilling long-range policies, once they were developed.
8. During 1946 and 1947, many features of the initial occupation policy were modified or abandoned for strategic, economic, humanitarian, or other reasons and the essentials of a long-range policy were developed. These policies constituted in many fields almost a complete reversal of interim policies and, in many respects, vindicated the wartime planning of the working staffs in the State and War Departments.
9. The defects of the interim occupation policy, the political function of military government, and the inadequacy of purely military formulas -- such as the prevention of disease and unrest -- to cope with the economic and other problems that demanded solution became rapidly apparent to military government officials in the theater. As the occupation progressed, therefore, the Office of US Military Government for Germany (OMGUS) played an increasingly important part in suggesting basic policies and developing detailed sub-policies. In some areas, such as the establishment of German governmental institutions, OMGUS made most of the basic policies in the absence of guidance from Washington.
10. The execution of policies formulated in Washington early in the occupation was hampered by the fact that these policies did not allow

SECRET

adequate freedom of action on details to the military governor. Washington policy decisions were more effectively implemented later in the occupation, however, when the details of policy, except for those items of special interest to Congress, the public, or our allies, were left to the theater. The latitude allowed OMGUS on policy details tended to increase as the military governor and his staff acquired numbers, prestige, expertness and trust, and as the channels of communication between Washington and the theater improved.

11. The communication of policy suggestions, established policies, reports, and criticism between OMGUS and the War/Army Department was frequently inadequate at the beginning of the occupation, but improved substantially in the course of time. The two-way exchange of information between Washington and the theater, moreover, proved to be essential to the development of effective and workable policy decisions.
12. Supplementing correspondence and cables by various kinds of personal contact proved to be helpful in the development of effective occupation policies for Germany. Particularly important in this regard was the personal contact resulting from the participation of OMGUS representatives in international conferences outside of Germany as advisors to US negotiators on German matters.
13. Fact-finding missions sent from Washington to the theater also performed a useful function in relaying to Washington, with new approaches or new stress, problems of whose magnitude the theater had not succeeded

SECRET

in persuading Washington through ordinary channels. Presidential, congressional, and public understanding of military government problems was thus improved.

14. After COMUS became fully organized, representatives of departments other than War/Army and State seldom intervened directly in theater operations. The relationship of the State Department's representatives in the theater to the policy-making process was never fully resolved during the period of military government, however, despite the fact that the personal qualities of officials on both sides held down the difficulties inherent in the situation.

RECOMMENDATIONS

1. Army planning for future military occupations of foreign territory should recognize that: the policies to be followed cannot be regarded as military policies alone; political, economic, and social aspects of policy interact with military aspects and with one another; and policies to be applied by the military are connected and must be consistent with US foreign policy.
2. As soon as some form of military occupation is envisaged in the future, the Army should press for the development of clear and consistent (not necessarily detailed) long-range policies for the guidance of officials who will have the responsibility of administering or supervising the occupation. As the agency responsible for executing many of whatever occupation policies are ultimately adopted, moreover, the Army must be prepared to play a considerable role in their determination.

SECRET

SECRET

3. In planning for future military government operations, the Army should also be prepared to take the initiative in seeking clear assignments of responsibility for the formulation of policy and organizational lines that firmly establish the authority and responsibility for decision-making in this field. In particular, the establishment of some central policy-making body that will coordinate the policy interests of all the governmental agencies concerned should be sought.
4. Subject to certain provisos, mandatory directives issued to the theater from Washington should express long-range US objectives and the various essentials of interim policy in only as much detail as is needed for guidance, leaving methods and procedures to the judgment of the theater commander. The provisos are:
 - a. There must be sufficiently frequent and frank communication between Washington and the theater so that Washington can predict with fair accuracy the way in which the theater will carry out a general directive.
 - b. There must be sufficient staff support in the theater so that the military governor has at his disposal the skills and information needed for the formation of detailed sub-policies.
 - c. Information and advice must be available from Washington upon request made by the theater, e.g., technical information, relevant diplomatic information and advice on the trend of policy thinking in other departments, in Congress, and in the White House.
5. Channels for communication between Washington and the theater of military government should be kept open in both directions before, during and after the formation of policy in order to insure the two-way exchange of information, policy suggestions, reports, criticism,

SECRET

etc., essential to the development of effective policy. In addition, routine communication between Washington and the theater should be supplemented from time to time by personal contact; e.g., regular or irregular visits to Washington by key theater personnel, visits to the theater by special executive missions from Washington, and joint participation by Washington and theater representatives at international conferences on problems related to military government.

6. The relationship between the military governor and the Department of State should be subjected to further analysis and reflection. Thought should be given to the suggestion that the military governor combine some of the attributes of a military commander and an ambassador, reporting to a group like the National Security Council, enjoying the right of direct access to the President, and assisted by technical attaches from various departments of the government.

SECRET

KEY TO CITATIONS

Works frequently cited in the study are footnoted by abridged citations, the full references for which are as follows:

<u>Annals</u>	<u>The Annals of the American Academy of Political and Social Science</u> , Vol. 267, Philadelphia, January 1950. (Citations to other issues of the <u>Annals</u> will be indicated specifically in the footnote.)
<u>Constitution</u>	<u>Documents on the Creation of the German Federal Constitution</u> , Civil Administration Division, Office of Military Government for Germany (US), Berlin 1949.
<u>Decade</u>	<u>A Decade of American Foreign Policy, Basic Documents 1941-1949</u> , prepared at request of Senate Committee on Foreign Relations by staff of committee and Department of State, 81st Congress, 1st Session, Senate Document 123, Washington 1950.
<u>Decision</u>	Clay, Gen Lucius D., <u>Decision in Germany</u> , Garden City 1950.
<u>Denazification</u>	Kormann, J. G., <u>US Denazification Policy in Germany, 1944-1950</u> , Historical Division, Office of US High Commissioner for Germany, Bonn 1952.
<u>Documents on Unity</u>	<u>Documents on German Unity, Policy Reports</u> Secretary Office of US High Commissioner for Germany, Frankfurt 1951.
<u>Experiences</u>	Friedrich, Carl J. and Associates, <u>American Experiences in Military Government in World War II</u> , New York 1948.
<u>Governing</u>	Litchfield, Edward H. and Associates, <u>Governing Postwar Germany</u> , Ithaca, New York, 1953.
<u>Mil Gov</u>	Holborn, Hajo, <u>American Military Government</u> , Washington 1947.
<u>Occupation</u>	Pollock, J. K., Meisel, J. H. and Bretten, H. L., <u>Germany Under Occupation</u> , Ann Arbor, Michigan, 1949.
<u>Preparation</u>	Notter, Harley, <u>Post War Foreign Policy Preparation, 1939-1945</u> , US Department of State Publication No. 3580, General Foreign Policy Series 15, Washington 1949.

SECRET

<u>Problem</u>	Morgenthau, Henry, Jr., <u>Germany Is Our Problem</u> , New York 1945.
<u>Records I and II</u>	<u>Federal Records of World War II</u> , Vols. I and II, National Archives, Washington.
<u>Service</u>	Stimson, Henry L. and Bundy, McGeorge, <u>On Active Service in Peace and War</u> , New York 1947.
<u>Seven Decisions</u>	Welles, Sumner, <u>Seven Decisions That Shaped History</u> , New York 1944.
<u>Story in Documents</u>	<u>Germany 1947-1949, The Story in Documents</u> , US Department of State Publication No. 3556, European and British Commonwealth Series 9, Washington 1950.

SECRET

SECRET

Chapter I

NATURE OF THE POLICY PROCESS

THE RELATIONSHIP BETWEEN ORGANIZATION AND POLICY

The two-way relationship between organization and policy is not always fully appreciated. The student of administrative policy is tempted to think of it as flowing along the lines of communication predetermined by formal organizational documents, conflicts appearing to be waged from positions fixed by "higher authority." Conversely, since management techniques demand concrete assumptions regarding input and processing, the student of organization often assumes a fixed policy or at least a fixed set of data with which the policy must deal. The systematic, technical approach to either policy or organization underrates the struggle for power, which is one of the basic elements of administrative behavior.

As of any particular moment, organization structure channelizes the flow of policy. But this moment is very short. There are constant changes in the relations between the human beings who make up the organization structure, that is, in the actual if not the formal pattern of administrative relationships.

When the administrative process is viewed in terms of human behavior, policy is seen to be an expression of the desires of individuals and groups. Policy includes both the presentation of data and the decision what to do about them. It is, however, more than a purely reflective reaction. However rationally a policy may have been determined, there is still a need for nonrational drives to put the policy into effect. A completely rational man, lacking emotional

SECRET

what Veblen called "the instinct of workmanship," could not administer because he would lack motivation. Once sparked by the nonrational desire to obtain approval and fulfillment of a policy, its protagonists form a center of policy interest.¹ Centers of policy interest must exist, or there never would be any policy except by default — which would lead to the collapse of the organization.

The members of a center of policy interest may be concentrated or scattered in the organizational structure; probably a certain degree of dispersion makes the center more effective than if all the members were "contained" in one bureau or one agency. The center uses both official and unofficial channels of communication to propagandize and proselytize. It attempts to establish branches or agents in strategic locations, and it makes alliances with other centers that pursue similar objectives.

The efforts of centers of policy interest change continually the operative relationships among the various participants in the administrative process. The de facto organization structure shifts constantly, and more often than not the center of policy interests attempt to change the de jure organization structure to facilitate execution of the policies they desire. The organizational conflicts to be considered in the course of this study are in large measure

¹ The term "center of policy interest" as used here is ethically neutral, and refers to a group of people who, without necessarily establishing formal relationships among themselves, undertake to obtain strategic positions within the organization, at least to the extent they consider necessary to make their common policy prevail.

The objectives of a center of policy interest may be consonant with the purposes and welfare of the organization in which it operates. Or it may intend the sabotage of official policy or even the destruction of the organization. In the latter case, the center is referred to as a "conspiracy". It often happens, however, that members of a center seek the same immediate ends for quite different ultimate reasons. In this case, a center of policy interest may be managed, controlled or influenced by a conspiracy and yet not be a conspiracy in itself.

SECRET₂

SECRET

conflicts between competing centers of policy interest, though the motives of some of the participants (e.g., organisational symmetry, personal ambition) may have had little to do with substantive policy.

The period during which military government policy for Germany was formed and executed, from early 1943 until the autumn of 1949, was marked by repeated changes of organization in the Washington administrative agencies concerned with making and supervising the execution of policies. The creation and abolition of emergency agencies, the transfer of functions and authorities between departments and the constant shifting of the interdepartmental committee structure were the tangible results of policy interest conflicts between competing centers. A particularly active role was played, until the summer of 1945, by a center of policy interest having its main seats of strength in the Treasury Department and the Foreign Economic Administration, but with major branches or allies in other agencies. Officials of the Treasury and FEA sought and obtained policy functions transcending the "normal" jurisdiction of their agencies. They were opposed at times by other centers of policy interest with quite different ideas. The ensuing jurisdictional conflicts paralyzed the policy-forming machinery at some critical periods, during which there was no one "official" policy on many aspects of the treatment of Germany.

An active center of policy interest can be checkmated or defeated only by an opposing center of interest that operates more effectively. The official framework for policy determination, no matter how ingeniously constructed, is simply the arena for potential conflict; the administrative structure does not operate, apart from the people who compose it. Unless, therefore, the heads of agencies, bureaus and divisions have decisive policy interests of their own, they are likely to become pawns to be manipulated by their subordinates who do have such interests. Mere dedication to objectivity, to ideals of administrative

SECRET- 3

SECRET

efficiency, or to be an abstract concept of the public interest does not protect against such manipulation. Without a historical and philosophical frame of reference permitting concrete judgment, several of the key administrators in charge of policy formation were ready to believe whatever it was au fait to believe at the moment.

THE LOCUS OF POLICY FORMATION

In tracing the development of policy it is important to have in mind the relationships among the various formal arbiters of policy. Whether the officials who sign policy documents actually decide in the sense of weighing the alternatives, or whether they merely ratify decisions suggested to them by their subordinates, depends partly on pressures of time but mainly on whether the administrative heads have policy interests of their own. The military doctrine of "completed staff work" requires that the staff officer recommend decisions to his superior; even in civilian agencies it occurs frequently that an administrator is controlled by his subordinates. Within an organization, policy often percolates from the lower levels to the top, and is influenced by policy interest centers along the way. Where the collective will of an organization is strong and persistent (not always the case) the political head, (rather than the staff official,) who is likely to be "non-policy forming" unless he exerts himself.

Military government policy was formed in both permanent and temporary agencies. The permanent sources of policy in the executive branch were the White House and the regular government departments. The role of Congress varied. Sometimes it appeared merely to reflect the policies of the administration. Sometimes it took the initiative in creating a legislative framework within which the administration had to make its policies. At other times Congress

SECRET⁴

SECRET

went into great detail to challenge administration policy and even decisions on individual cases.

Second only to the permanent agencies of policy formation were the various emergency organs of government. These included both temporary branches of old-time departments (such as the Alien Property and Economic Warfare units in the Department of Justice) and the independent emergency agencies which at times eclipsed the established departments in size and importance. Finally, military government, although conducted under the aegis of the War Department/Department of the Army, was in itself an emergency operation. This fact beset many military government officials with a constant anxiety about the duration of their jobs, a factor which after the War influenced the development of centers of policy interest in the theater.

Insofar as military government policy involved the functions of various agencies, it came within the purview of interdepartmental committees. Supposedly, such a committee is established to satisfy an objective need for coordination. Actually, however, it may be established to appease an aggressive center of policy interest based in agencies that would otherwise be excluded from the policy-forming process. Inter-departmental committees are, therefore, not only coordinating devices but also forums for conflict. They may at times paralyze rather than facilitate policy formation. Those concerned with the military government of Germany sometimes made decisions that were rejected out-of-hand by the theater officials charged with administering them.

Finally, there were temporary and ad-hoc agencies of policy formation, such as interdepartmental conferences and United States delegations to international conferences. As will be seen, the American delegations to the Potsdam Conference in 1945 and to the Council of Foreign Ministers made decisions on a number of important questions. When Washington administrators attend an

international conference in or **SECRET** area of military government, or when they visit the theater, they are for the time being accessible to theater officials but not to most of their own staffs, which have been left in Washington. As a result, they are often likely to make informal or even formal commitments of which the Washington staff is only belatedly informed.

Until the spring of 1944, the responsibility for planning postwar policy with respect to Germany (as distinguished from planning for military government operations) was, in general, centered in the State Department. This was true notwithstanding the efforts of Vice-President Wallace to capture the planning function for the Board of Economic Warfare and the Presidential prohibition against firm policies on political and territorial issues.^{1/} In spite of a number of inhibiting factors, the State Department had, by the spring of 1944, a set of fairly advanced plans for Europe in general and Germany in particular. These plans, which were concerned more with reconstruction than with retribution, were sharply challenged by the growing center of policy interest which had started in the Treasury and the Foreign Economic Administration. This center had also acquired a dominant voice, so far as planning for Germany was concerned, in the Office of Strategic Services and the Office of War Information.

In the struggle that broke out into the open during the summer of 1944 and continued for more than a year after surrender, the protagonists of the "hard peace" policy had the initial advantage of superior access to media of public communication. The Office of War Information served as a propaganda outlet for

^{1/} As Sumner Wells points out (Seven Decisions 123-139), the President was impressed by warnings from the Joint Chiefs of Staff that attempts to settle major European problems might jeopardize the military cooperation of the Soviet Union. Roosevelt himself felt that, at the proper time, his skill as a negotiator would assure satisfactory agreements.

SECRET

the "hard peace" center, and its unofficial adjunct, the War Writers' Board, went even further. Although it might be argued that an emotional type of propaganda was necessary to arouse a bellicose spirit among Americans, this argument fails to anticipate the boomerang effect of the propaganda, both on the statesmen and on the public.

At the same time, in 1944, the health of Secretary of State Cordell Hull was deteriorating rapidly, and the Department fell a victim to what General Hildring describes as "an appalling lack of initiative and leadership."^{1/} A schism also developed that paralyzed the Department for some time to come. There were sharp differences among high permanent officials, regarding both the anticipated conduct of Soviet Russia^{2/} and the proper treatment for Germany. Finally, the framework for top-level policy planning, as set by the President during the latter half of 1944 and first half of 1945, happened to afford the maximum scope to the protagonists of a "hard peace."

After the surrender of Germany and during the initial stage of postwar military government, the responsibility for developing and promulgating government-level policy on Military Government remained unclear. In 1946, however, Secretary James F. Byrnes reasserted the leadership of the State Department. The establishment of an Assistant Secretary of State for Occupied Areas on 8 April 1946, provided a central channel for at least

^{1/} Headed by Rex Stout, a former editor of the New Masses who later became Chairman of the Society to Prevent World War III.

^{2/} Letter from Gen John H. Hildring to Mr. Dale Noble of the Brookings Institution, 29 Nov 50, OCMH, "Weinberg Files".

^{3/} See testimony of Former Asst Sec of State Adolf Berle, Jr., before House Committee on Un-American Activities, 30 Aug 48, cited on p. 898 of Hearings on "Intelligence Subversion in Government Departments," Internal Security Subcommittee of the Senate Committee on the Judiciary, Washington, 1953.

SECRET

the coordination of policy.^{1/} With the final liquidation of the emergent agencies, the retirement of the Treasury from the field of German policy, and the anticipation of the transfer of military government operations to the State Department, the latter was able to re-establish its position as the primary policy-forming agency.

MILITARY GOVERNMENT AS ADMINISTRATION AND AS POLITICS

One evident purpose of military government planning is to achieve efficiency in future operations. There were charges of "inefficiency" in US Military Government of Germany, which at times caused major political repercussions. The question is pertinent then, whether objective criteria of administration or scientific "administrative analysis" may be applied to the phenomena about to be explored. Admittedly, the possibilities of research directed at finding the "one best" administrative structure are severely limited. Herbert A. Simon points out that "empirical research and experimentation to determine the relative desirability of alternative administrative arrangements" is dependent on two "indispensable conditions":

"First, it is necessary that the objectives of the administrative organization under study be defined in concrete terms so that results, expressed in terms of these objectives, may be accurately measured.

"Second, it is necessary that sufficient experimental control be exercised to make possible the isolation of the particular effect

^{1/} According to the State Department publication American Policy in Occupied Areas (Washington, 47) the Assistant Secretary of State for Occupied Areas "is in no sense responsible for the making of policy. It is his business to coordinate all State Department policy in regard to occupation matters." General Hildring himself, however, commented that "both of my Secretaries (Byrnes and Marshall) made it clear to me that I was ultimately responsible to them for the policy finally adopted with respect to the territories under my general jurisdiction. It was for this reason that I became more than a mere coordinator"

SECRET

under study from other disturbing factors that might be operating on the organization at the same time.^{1/}

Neither of these conditions obtains with respect to the military government of Germany. The objectives of military government are the subject of controversy even now. And hardly an administrative decision on military government, in Washington or in the field, was ever made that was free from "disturbing factors" of one kind or another.

Apart from decisions of a purely housekeeping nature, the important military government decisions to be made by U.S. officials in Germany and by policy-makers in Washington were not administrative decisions, which Simon defines as having "an internal criterion of correctness". They were, and had to be, political decisions of a highly controversial nature.

The theory of administrative behavior advanced by Simon and others is, however, of some value in considering the objective limits on the formation and transmission of policy. As Simon points out,^{2/} the exercise of authority by superiors is limited by the "zone of acceptance" of the subordinate. While authority rests upon psychological and social sanctions, it breaks down when it collides with more powerful sanctions, particularly those of an ethical or religious nature. There are, in other words, certain policies that military government officials in the theater will refuse to carry out — the history of military government in Germany affords numerous examples of such refusals. Coercion applied to achieve overt compliance is met with "bureaucratic sabotage"; the policy decreed from topside is quietly emasculated by the subordinates.^{3/} The limitation of authority is in itself a political problem^{4/}; it

^{1/} Herbert A. Simon, Administrative Behavior, New York, 49, p. 42.

^{2/} Op. cit., pp. 12, 133-134.

^{3/} See Arnold Brecht, "Bureaucratic Sabotage," in Annals, Passim; also Dale Clark, "Conflict over Planning at Staff Headquarters," Chapt X in Experiences.

^{4/} See Charles E. Merriam, Political Power, New York, 34, pp 156ff

SECRET

is necessary to frame military government policy in terms of anticipated long-range acceptance, after the shock effects of war propaganda, atrocities and the like have worn off.

The question of how much detail should be contained in government-level guidance to the theater on military government is left to our concluding chapter. It can be stated here, however, that adequate governmental policy minimizes the need for departmental guidance to the theater on questions of detail. Adequacy comprehends, of course, not only clarity but also acceptability: there were many cases where the theater sought specific guidance because the application of JCS 1067/6 to the situation at hand seemed unreasonable. Adequate policy should permit the assignment of the bulk of decision-making to the theater and its subordinate headquarters, permitting a small control staff in Washington that would concentrate on major issues.

The effectiveness of administration also depends on adequacy of communication. At the risk of prejudging the case before the evidence is in, it may be said here that with one important exception (the "surrender snafu") the Army communication system functioned satisfactorily throughout the period of military government. In fact, while there were conflicts of policy interest and efforts of bureaucrats to achieve or defend power and position, there were no major strictly administrative difficulties, particularly after the consolidation of military government under the Office of Military Government for Germany (US) (OMGUS) in March 1946.

An administrative phenomenon that is worth mentioning, because it seems to account for certain behavior otherwise unexplainable, is that of "administrative inertia," namely the tendency to defend what exists because it exists. Certain "neutral" administrators without pronounced policy interest of their own, nevertheless defend officially accepted policies with an impassioned

SECRET

advocacy that far transcends the (admitted) values of continuity and stability. This behavior pattern goes far beyond the mere carrying out of orders: it has a compulsive quality. Its psychological roots seem to lie in a perhaps unconscious sense of insecurity. Lacking a clearly defined philosophy, the politically unsophisticated administrator is likely to seize upon approved policy as an ersatz-philosophy. Such policy has, at least, the virtue of being authoritative and it may even be definite. Yet, as soon as it appears that the current policy has met with massive resistance and is likely to be modified, the seal is displaced and the administrators begin to contradict their own recent statements.

The experience to be recounted in the following chapters suggests strongly that the key to better military government does not lie in the improvement of techniques of administration. Rather, it lies in a broadened understanding of political systems and of human behavior in political situations. It is not sufficient to inculcate political knowledge among a group of experts, since the workability of military government policy as political policy depends upon its conformity with a coherent philosophy accepted by officials on all levels. The success or failure of American Military Government is, indeed, a test of the coherency and adequacy of American political thought.

SECRET

Chapter II

ORGANIZATIONS PARTICIPATING IN THE POLICY-MAKING PROCESS

IDENTIFICATION OF PARTICIPANTS

The story of the development and transmission of policy and guidance for the military government of Germany is complex. It involves a large number of agencies, bureaus, divisions, boards and committees as well as ad hoc constellations of leading officials. To follow the story it is necessary to know the dramatic personnel.

This chapter enumerates and sketches the organizational history of the principal agencies and inter-agency bodies concerned with the development and transmission of military government policy from 1943 to 1949.

THE WHITE HOUSE

As the center of the Executive Branch of the United States Government, the White House was at all times immanent in the policy process. Its interest in the details of policy and in execution was, however, decidedly erratic. For long periods the White House would exhibit little or no apparent interest, intervening only to resolve a dispute, as in the decision late in 1942 that the War Department should undertake planning for military government operations. At other times the White House took a sudden interest in details, as in 1944 when Presidential advisor Harry Hopkins undertook to review the entire series of 92 Civil Affairs Technical Handbooks. The White House was thus rather like the deus ex machina of the classical Greek drama; the actors on the stage never knew when it would burst from the wings to give an unexpected twist to the plot.

SECRET

The United States delegations to international conferences of Heads of State must be considered as temporary adjuncts of the White House rather than of the Department of State. The first such conference during the War, the Argentinian meeting of Roosevelt and Churchill which resulted in the Atlantic Charter, was undertaken without the prior knowledge of the State Department.^{1/} Although the State Department participated in the preparations for the Casablanca, Quebec, Tberan, Yalta and Potsdam Conferences and was represented at all except the second Quebec Conference,^{2/} they were essentially White House rather than State Department operations. These conferences produced a variety of policy pronouncements of major importance, and in the case of the Potsdam Conference the United States delegation gave a number of unilateral instructions to Theater Commander Eisenhower.

THE DEPARTMENT OF STATE

It has been widely held that the non-military aspects of military government, including but not limited to economics and finance, epuration and restoration of civil government, were areas of United States foreign policy. If this is correct, the State Department would then be responsible under the President for the development of guidance in those fields. For this task the State Department had at all times the requisite number of personnel with appropriate formal qualifications.

The authority of the State Department for postwar economic and political planning continually had to be defended against challenges from the Board of

^{1/} Elliott Roosevelt, As He Saw It

^{2/} "No policy official of the Department accompanied the President to Quebec." Preparation p 244.

SECRET

SECRET

Economic Warfare/Foreign Economic Administration and, later, the Treasury.

During certain critical periods, also in-fighting within the Department hampered its ability to adopt and defend firm policy positions on major issues. Subject to this disability, the State Department did play a continuous role in the development of what could be called "second-level policy" for dealing with current issues, and in the transmittal of political guidance through the channel of the US Political Advisor (USPOLAD) to the theater commander. Insofar as this arrangement did not conflict with the military command channel, such guidance was felt by the War Department to be both necessary and useful.^{1/}

Within the Department of State, responsibility for policy planning was divided between the geographic offices which recommended decisions on current matters and the research staff which developed long-range studies and plans. Until 1946, the geographic office concerned with Germany was the Office of European Affairs which during the initial period was headed by James C. Dunn, who reported to the Secretary of State through the Under-Secretary. In December 1944, the Offices of European, Far Eastern, and Near Eastern and African Affairs were grouped together under a new Assistant Secretaryship to which Dunn was promoted. His successor as Director of the Office of European Affairs was H. Freeman Matthews.

^{1/} "Mr. Dunn convinced me early in my service in CAD," writes General Hilldring, "that our mutual cause would be well served if the Department of State were permitted to amplify and explain the instructions that went to the Military Governor via the War Department. It has been the custom of the War Department . . . to give brief orders and directives . . . A well-trained Commander in the field doesn't need an explanation. . . . Diplomacy is a different breed of cats, and Mr. Dunn convinced me that it is useful to go into more detail in explaining a political decision of the Government than is necessary in telling a military commander in the field to attack, to defend, or to withdraw." Letter from Gen John H. Hilldring to Dale Noble of the Brookings Institution, 29 Nov 50, pp 5-6, CGME, "Weinberg Files."

SECRET 3

SECRET

Table A, p. 5, sketches diagrammatically the evolution between February 1941 and April 1946 of some of the main bureaus in the Department of State dealing with post-war policy on Germany. The major events were the dispersal of the Division of Territorial Studies to the respective geographical offices, which took place gradually between 20 December 1944 and 1 March 1945,^{1/} and the subsequent coordination of development of State Department policy on Germany by the Germany-Austria Secretariat.^{2/}

Table B, p. 6, lists some of the intradepartmental committees concerned with German questions.^{3/} (The Germany-Austria Secretariat mentioned above was, of course, a committee in itself.) Until the summer of 1943, the most important committee was the Advisory Committee on Post-War Foreign Policy, which had its nucleus in the State Department though it had members representing other agencies, Congress, and the public. As Sumner Wells has noted,^{4/} that Committee and its subcommittees were rent by dissension. The shift in the policy center of gravity away from the State Department was paralleled in 1944-47 by a trend toward interdepartmental planning committees.

THE DEFENSE ESTABLISHMENT

Throughout the period covered by this study, the responsibility for the conduct of military government was vested in the Defense Establishment. Military government of Germany was a responsibility of the War Department and later of the Department of the Army. Within the War/Army Department, the Secretary's

^{1/} Preparation, pp. 348-52, Appendix 22 (520) and Appendix 32 (565-76)

^{2/} The functioning of this organization is described in a pamphlet, American Policy in Occupied Areas, Department of State Publication 2794, Washington 47, pp. 6-7.

^{3/} Harley Notter, Preparation, gives a complete account of these committees up to May 1945.

^{4/} Seven Decisions, 182-83

SECRET

TABLE A
DEPARTMENT OF STATE
Organisations Planning Post-War Policy on Germany

Time	Geographic Offices	Research Staff
February 1941	Office of European Affairs (James C. Dunn)	Division of Special Research (Leo Pasvolaky, Special Assistant to Sec'y)
December 1942		DSE has 68 professionals
January 1943		Division of Political Studies (Harley A. Motter)
		Division of Economic Studies (Leroy D. Stinebower)
January 1944		(1) Pasvolaky becomes Executive Director, Committee on Post-War Programs
		(2) Office of Special Political Affairs (James C. Dunn; May 1944, E. C. Wilson)
		Division of International Security Org. (Harley A. Motter; Nov. '44, D.V. Sandifer)
		Division of Territorial Studies (P.E. Moseley; June '44, David Harris)
		(3) Office of Economic Affairs
December 1944	Dunn succeeded by H. Freeman Matthews	
Dec 44 to Mar 45 and thereafter	Division of Territorial Studies staff dispersed into geographical offices	
April 1945 to phase-out of OMERS	Ass't Sec'y of State for Occupied Areas (John H. Hilldring)	
After phase-out of OMERS	Germany-Austria Secretariat (James W. Riddleberger), coordinating: (1) Office of European Affairs (Division of Central European Affairs) (2) Office of Economic Security Policy (Div. of German & Austrian Aff.) (3) Office of International & Cultural Affairs (Occupied Areas Div.) Bureau of German and Austrian Affairs Dunn takes over operating responsibility for occupation administration)	

SECRET

SECRET

TABLE B
DEPARTMENT OF STATE
Committees Concerned with German Questions
(Partial List)

Time	Main Committee	Subcommittees/illustrative functions
February 1942 to June 1943	Advisory Committee on Post-War Foreign Policy	<p>Subcommittee on Political Problems (February 1942 to June 1943)</p> <p>Special Subcommittee on Legal Problems/war criminals (August 1942 to June 1943)</p> <p>Subcommittee on Security Problems/partition (April 1942 to August 1943)</p> <p>Economic Subcommittees (to April 1943)</p> <p>Committee on Post-War Foreign Economic Policy (from April 1943)</p> <p>Subcommittee on Problems of European Organi- zation (May 1943 to March 1944)</p>
July 1943	Advisory Committee and subcommittees suspended	
January 1944 to November 1944	<p>(1) Policy Committee (Cordell Hull, Chairman; Edw. C. Stettinius, Vice-Chairman)</p> <p>(2) Post-War Programs Committee (Hull; Stettinius)</p> <p>(3) Advisory Council on Post-War Foreign Policy (abandoned, May 1944)</p> <p>(4) Committee on Post-War Foreign Policy (interdepartmental) (Dean Acheson, Asst Sec'y of State)</p>	
March 1945 to Aug 30, 1945	Informal Policy Committee on Germany (inter- departmental) (Mr. L. Clayton, Chairman) (members representing State, War, Navy, Treasury, FEA)	

SECRET

SECRET

SECRET

supervisory functions were in large part delegated to the Assistant Secretary, who represented the Secretary in many inter-agency policy conferences as well as on SWMCO and IPCOG. Although the Operations Division of the General Staff (OPD) served as the "wartime command post of the Chief of Staff in directing the Theaters"^{1/} and therefore constituted the channel for command correspondence with the theater commander, the functional coordination of military government policy and planning became the function of the Civil Affairs Division (CAD).

The establishment of the Civil Affairs Division fulfilled a need that had existed for a considerable time. While the Provost Marshal General's Office had been charged on 6 January 1942 with training officers for military government duties, it was evidently believed at the time that military government affairs required no special coordination within the War Department other than that afforded by the General Staff itself. By June 1942, however, civilian agencies such as the State Department, the Board of Economic Warfare and the Lend-Lease Administration were asserting competing claims to operate independently in occupied areas. It was felt in the Provost Marshal General's Office that even the legitimate interests of civilian agencies, while they deserved respect, should not be permitted to threaten essential military control. At his request, the Provost Marshal General was authorized by a War Department directive of 14 August 1942 to integrate, under War Department leadership, the activities of civilian agencies concerned with occupied area affairs. Meanwhile, a Military Government Division had been established in the Office of the Provost Marshal General.^{2/}

^{1/} Records II, p. 121

^{2/} Office of the Provost Marshal General: World War II. A Brief History, Part V, "Military Government Training" by Colonel J. I. Miller. Available in National Archives and Library of Congress, Washington.

SECRET

On 4 September 1942, the Provost Marshal General issued a synopsis of War Department plans for military government. This synopsis indicated that major occupation policies would be determined by civilian agencies; political policy by the State Department, fiscal policy by the Treasury Department, and economic policy by the State Department or the Board of Economic Warfare or both. Yet during the initial period of "military necessity," the Army would have to administer these policies and would require for the purpose technical and professional personnel. It was suggested that the civilian agencies lend personnel, to be commissioned as military government officers and to be returned at the completion of military government.

This assertion of leadership by the War Department provoked a negative reaction from the civilian departments, and in October and early November 1942 two entire Cabinet meetings were devoted to the matter. Secretary Stimson obtained acceptance for the War Department's position but it was not until January 1943 that the General Staff approved a program designed to meet anticipated military government needs.

What experience?
before

In the meantime, experience during the North African invasion had indicated the need not only for coordination with civilian agencies but also for unified control of civil affairs activities within the War Department. As the Provost Marshal General was not located at the proper echelon to perform this task for coordination, there was established as a unit of the War Department Special Staff the Civil Affairs Division, which came into existence 1 March 1943,^{1/} and lasted until 15 July 1949.

The internal organization of the Civil Affairs Division will be described in Chapter 3. Its functions have been summarized officially as follows:

^{1/} Mil Gov, p. 7, also Miller, loc. cit.

II - 8
SECRET

SECRET

" . . . To formulate and coordinate United States military policy concerning the administration and government of captured or liberated countries, to advise and assist the commanders engaged in such occupation or civil-affairs activities, to train and supply personnel for such activities, and to study, assess, and report on the extent to which United States occupation plans were being carried out. To perform these tasks, the Division exercised policy control over the selection and training of civil-affairs personnel by the Provost Marshal General's Office, served as the central office and clearing house where occupation plans (including surrender and related documents) were drawn up, and submitted all United States civil-affairs plans and policies to the appropriate committees of Joint Chiefs of Staff (when Army and Navy cooperation was involved) and of the Combined Chiefs of Staff (when interallied cooperation was involved)."^{1/}

The first Director of the Civil Affairs Division was Colonel John H. F. Haskell (Acting), who was replaced by Major General John H. Hilldring on 13 April 1943. Gen Hilldring remained the Director of CAD until his transfer to the Department of State in April 1946 and was succeeded by Major General Daniel Mose²¹ (December 1946) and Brigadier General George L. Eberle (1 November 1948).

As originally conceived, the Civil Affairs Division was a small coordinating staff and was not expected to engage in direct administration. The demands placed upon the Division, however, required a more active role: Some decisions had to be made in order to reconcile conflicting claims of civilian agencies, each trying to get its personnel into North Africa ahead of the others. The problem of relief, too, demanded activity beyond the normal scope of a staff section; when in 1944 food supplies supposedly enroute to the Western European countries were not forthcoming, the Civil Affairs Division undertook a direct expediting activity.^{2/} The Civil Affairs Division was not, however, responsible for the internal administrative problems in occupied areas. Its duty was to keep the Secretary of War informed of the current situation; it adhered firmly to the doctrine of the total responsibility of the theater commander.

^{1/} Records, II, p. 128

^{2/} Report of Interview of Dr. Albert K. Weinberg with Gen. Hilldring, 15 Sept 50, OCMH, "Weinberg Files."

SECRET

CAD was required to coordinate the activities of numerous branches of the War Department that impinged in one way or another on military government. For instance, the Judge Advocate General was the highest technical authority on legal questions referred by the theater; the Provost Marshal General had (in addition to his training responsibilities) a functional interest in police matters; procurement of food and soft goods for civilian relief was a function of the Quartermaster General in the Army Service Forces; certain other types of supplies had to be obtained through Ordnance. At the same time, particularly during the combat phase of military government, the coordination achieved by the Civil Affairs Division was subjected to the "higher-level" coordination applied by the Operations Division of the General Staff.

Although the Navy and the Air Force had no direct governmental responsibilities in Germany (except in connection with the liquidation of the German Navy and Air Force,) the Navy did have over-all military government responsibility in certain Pacific areas. Major military government policy directives, as well as numerous directives on less important subjects, were approved and transmitted by the Joint Chiefs of Staff. While the subcommittee of the Joint Chiefs of Staff, known until 1944 as the Joint Staff Planners and thereafter as the Joint Post-War Committee, figured in the development of certain military government policies (particularly on disarmament and demobilization of Axis military forces), the subcommittee which dealt with the policies and guidance under review in this study was the Joint Civil Affairs Committee, abbreviated as JCAC. The JCAC consisted of three Army officers, including one from the Air Force, and three officers of the Navy.^{1/}

The border-line of responsibility between the War Department/Department of the Army and the Department of State was always somewhat vague. Theoretically,

^{1/} Records, II, pp. 7-14

SECRET

SECRET

policy concerning the political and civilian aspects of military government emanated from the State Department, and the Civil Affairs Division in the War Department/Department of the Army was expected to see that that policy reached the theater in the form of appropriate guidance. It was the function of CAD not so much to answer questions from the theater as to obtain the answers from the responsible agencies. Frequently, however, when the Department of State failed to provide a policy statement with the desired promptness, the Civil Affairs Division would prepare the statement and submit it to the State Department for clearance and endorsement, a device which often prompted the State Department to suggest amendments.^{1/} At other times the War Department found it necessary to resist what it felt was an abdication of policy-forming responsibility on the part of the Department of State, as in the case of the coal and transportation questions that arose during the summer of 1945.^{2/} Subsequent chapters of this study will illustrate the CAD-State relationship in some detail.

THE FOREIGN ECONOMIC ADMINISTRATION AND ITS PREDECESSORS

The first important agency in this dynasty was the Economic Defense Board, established by Executive Order of 30 July 1941, "for the purpose of developing and coordinating policies, plans, and programs designed to protect and strengthen the international economic relations of the United States in the interest of national defense." On 15 September 1941, the Board took over the

^{1/} Ltr, Gen Hildring to Dr. Kent Roberts Greenfield, Chief Historian, OCMH, 7 Aug 50; Interview of Dr. Albert K. Weinberg with Gen Hildring, 15 Sep 50, OCMH, "Weinberg Files."

^{2/} Ltr, from Acting Secretary of State to Secretary of War, 8 June 45, CAD 614 Germany, RG 122, DRB. UNCLASSIFIED: Reply thereto from Secretary of War to Acting Secretary of State, 4 Jul 45, RG 122, CAD 385, DRB. SECRET

SECRET

functions of the Office of the Administrator of Export Control and the Yellow License Unit of the State Department's Division of Controls, and on 17 December 1941 the agency was re-named the Board of Economic Warfare (BEW). The Chairman of the Board was Vice President Henry A. Wallace; the other members of the Board were the Secretaries of State, Treasury, War, Navy, Agriculture and Commerce, the Attorney General, the Coordinator of Inter-American Affairs, the Chairman of the War Production Board and the Lend-Lease Administrator, or their alternates. While the official functions of the Board were by definition restricted to the duration of the war itself, Vice President Wallace obtained a Presidential order giving the Board authority over post-war American economic policy.^{1/} Although this authority was sufficient to launch the economic planning activity out of which grew, three years later, the Technical Industrial Disarmament Studies, it was challenged by the State Department. The resulting dispute was undoubtedly a factor contributing to the President's decision, given on 15 July 1943, to abolish the Board of Economic Warfare and to transfer its functions, personnel and records to the Office of Economic Warfare.^{2/} The Office of Economic Warfare, under the Directorship of Leo T. Crowley, lasted only until 25 September 1943 when it was consolidated with certain other agencies to form the Foreign Economic Administration of which Mr. Crowley became the Administrator.

The creation of the FEA was in itself a consequence of a demarche by the Secretary of State, who in September 1943 had recommended in a memorandum to the President that "in any instance where there shall be a conflict of views

^{1/} Seven Decisions, 182-83

^{2/} See Records I, Entries on Office of the Administrator of Export Control, pp. 149-154, Economic Defense Board, pp. 225-226, and Board of Economic Warfare, pp. 294-305.

SECRET

between two or more interested agencies or where in the Department's opinion an element of foreign policy is involved, or where some procedure must be established among our own agencies or with our Allies," the President should authorize the Department of State to "make the necessary decision and cause it to be carried into effect."^{1/} While the Foreign Economic Administration promptly signed an agreement with the State Department, the substance of which is that the Department would formulate international economic policy while the FEA would execute it, the planning functions of the Enemy Branch of FEA were expanded.^{2/} On 27 September 1945 the FEA was abolished and its function affecting occupied territories were transferred to the State Department.

OTHER DEPARTMENTS AND AGENCIES

Aside from those agencies already mentioned, the agencies most active in the development of military government policy during the war were the Office of Strategic Services and the Treasury Department. The OSS supplied a continuing flow of information to the War Department, including background studies that formed the basis for military government handbooks and orientation materials as well as current intelligence estimates predicting the political behavior of both our adversaries and our allies. The Treasury Department, while functionally interested only in the financial side of occupation administration, put forward

^{1/} The Administration of Foreign Affairs and Overseas Operations, prepared by International Studies Group of the Brookings Institution, Washington, 1951, p 169
^{2/} Ibid, pp 636-58. The expansion of the Enemy Branch during a period of acute manpower shortage raises the interesting question whether the Bureau of the Budget should undertake to enforce, with respect to money and manpower, jurisdictional agreements between the heads of agencies.

SECRET

a strong claim for decisive participation in the formulation of general economic and even political policy. Other departments, such as the Department of Agriculture, while they at times advocated policies not entirely acceptable to the War or State Departments, remained nevertheless within their functional fields.

INTERDEPARTMENTAL COMMITTEES

The most important continuing interdepartmental committee participating in the formulation of military government policy and guidance was the State-War-Navy Coordinating Committee (SWNCC), created in December 1944 to deal with problems of joint interest to the military services and the State Department. The chairmanship was in the State Department and was in April 1946 assumed by Gen Hilldring, the new Assistant Secretary of State for Occupied Areas. After the reorganization of the Defense Establishment, this committee was named State-Army-Navy-Air Force Coordinating Committee (SANACC). It was terminated in June 1949. SWNCC/SANACC had geographical subcommittees, including one for Europe; functional subcommittees on Rearmament, Military Information Control, Release of State Papers, and Security Control; and various ad hoc committees.^{1/}

There were, of course, numerous other interdepartmental committees the activities of which affected Military Government, such as the Working Security Committee (State, War and Navy) responsible for developing guidance for the US member of the European Advisory Commission; the Foods Requirements and Allocations Committee; and, at a later date, the various committees associated with the European Recovery Program.

^{1/} Department of State Bulletin, 11 Nov 45, 745; also American Policy in Occupied Areas, pp 3-5.

SECRET

From time to time temporary or ad hoc interdepartmental committees served as vehicles for policy formation, sometimes significantly. In September 1944, for instance, the Morgenthau Plan and a competing State Department plan were considered by a Cabinet Committee on Germany which produced on 22 September a "Directive to the Supreme Commander of the Allied Expeditionary Forces," the prototype of the first JCS 1067 completed on 24 September 1944. The preparatory work for this Committee was cleared through an informal staff group organized by Special Assistant to the President, Harry L. Hopkins. The final interim post-surrender directive, JCS 1067/6, was the work of another such committee, the Informal Policy Committee on Germany (IPOCG), which for a time eclipsed SWNGO as the major interdepartmental channel for policy development. In this committee, established by a memorandum from President Roosevelt dated 12 March 1945, the Treasury alone was represented at full Cabinet level, and indeed IPOCG marked the zenith of Treasury influence. Other interdepartmental temporary committees concerned with occupation policy included the Ad Hoc Committee on Financial Planning (8 April to 21 November 1945) and the Cabinet Committee that met in 1948 to consider the downward revision of the industrial dismantling program.

COMBINED AND INTERNATIONAL BODIES

During the War the major combined military body was the (United States-British) Combined Chiefs of Staff, established in December 1941 and responsible for the formulation and execution of military plans and policies including the transmission of commands to theaters of combined Allied operations. The Combined Chiefs of Staff were assisted by the Combined Staff Planners and, more importantly with respect to military government, by the Combined Civil Affairs

SECRET

Committee (CCAC). This body was established by CGS in July 1943 "to recommend civil-affairs policies for enemy or enemy-held areas occupied by combined operations and to coordinate military and civil agency interests in such matters." CCAC, which met in Washington, had a supply committee (CCAC/S) and a branch committee in London (CCAC/L). It produced the pre-surrender directive CGS 551 approved by the Combined Chiefs of Staff in April 1944. Although the United States members on the combined military bodies were usually members of JCS and its subcommittees, CCAC was chaired by a civilian, Assistant Secretary of War McCloy.

The Most important international civilian agency on the governmental level was the European Advisory Commission established on 1 November 1943 by the Moscow Conference of Foreign Ministers to examine European questions arising as the war developed, including major political and economic policies for the government of occupied areas. The Commission met in London and had United States, British and Soviet members, later joined by a representative of the French Provisional Government. The EAC considered papers on the most diverse subjects and reached a measure of agreement with respect to Austria. Concerning Germany, its only substantial accomplishments were the plans for the Allied Control Council and a surrender directive that was never used.

More specialized international bodies included the United Nations War Crimes Commission, which laid the ground work for the first (international) Nuremberg trials, the Allied Reparations Commission, which met in Moscow in 1945; the Inter-Allied Reparations Agency (Brussels, 1946-1949) and the Leith-Ross Committee out of which grew the European Central Inland Transport Organization (ECITO).

SECRET

OVERSEAS COMMANDS AS PARTICIPANTS IN POLICY MAKING

Even under the assumption that Washington and London would agree on detailed military government policy directives, there were still extensive planning functions which, because of the need for coordination with military operations, could be carried only on in the theater. This need was recognized by the Civil Affairs Division. Soon after CAD was set up, it asked commanders to establish special staff divisions for civil affairs or to inform CAD of existing organizations of this nature.^{1/}

In the European Theater, civil affairs were entrusted to the Chief of Staff to Supreme Allied Commander (COSSAC), who was charged with integrating military government plans with the over-all military plan for which he was responsible. In September 1943 a Civil Affairs Branch of COSSAC was established. This Branch became the G-5 or Civil Affairs Section of SHAEF in February 1944, reporting to the Supreme Allied Commander (SCAEF) through the Chief of Staff.

^{1/} Minutes, General Council of War Dept, meeting of 29 Mar 43, RG 110. DRB. SECRET, includes the following entry:

"The Civil Affairs Division has informed senior overseas commanders that a Civil Affairs Division, reporting directly to the Secretary of War, has been established as a War Department agency to handle all matters other than those of a strictly military nature in enemy territory or enemy controlled territory occupied as a result of military operations. The theater commanders were requested to establish (at the appropriate time) a special staff division for civil affairs and to inform the Civil Affairs Division concerning existing organizations of this nature.

General Andrews has responded with a recommendation that the strongest possible Civil Affairs Section be organized in his theater in order to provide means for complete planning in conjunction with the British.

General Eisenhower replied that as his present military staff, together with Murphy's organization, can adequately perform civil affairs functions he prefers to organize no special Civil Affairs Section to duplicate these functions."

SECRET

During the SHAEF period there developed a dual military government structure within the theater. The two nuclei were the G-5 or Civil Affairs Division of SHAEF (later superseded for the United States Zone by G-5 of USFET), and the US Group Control Council (USGCC) out of which developed the Office of Military Government for Germany (US), abbreviated as OMGUS. This duality was to persist and to cause administrative difficulties until a unified structure of military government for the United States area of occupation in Germany was finally established on March 9, 1946.^{1/}

The importance of the part played by the theater agencies of military government in the formation of policy usually varied inversely with the adequacy of guidance received from Washington. One example was furnished by the delay in producing an Anglo-American pre-surrender policy until it became clear that the European Advisory Commission would not produce a policy agreed by the Soviets. Professor Holborn writes:

"In the absence of directives from Washington, G-5 of SHAEF was compelled to formulate its own plans and use them as the basis for its operational instructions on the military government of Germany. But expecting final orders from Washington with regard to general policies, and not knowing whether these official directives from the Combined Chiefs of Staff would be fully identical with their own tentative policy assumptions, the members of SHAEF were rather cautious in the political indoctrination of the Military Government officers then assembling in England. The last opportunity for giving the officers a clear political orientation was largely lost."^{2/}

Nor could much be expected from the EAC, for, as a military observer pointed out in July 1944, "The US member of the EAC has received little guidance

^{1/} General Order 61, HQ USFET, "Administrative Changes in Military Government, Cited Decision 60-61. USFET US Forces, European Theater.

^{2/} Mil Gov, 33-34

SECRET

from the US Government on what to do with the German economy after surrender, when it will be a US/UK/USSR responsibility.^{1/} Since it was not even certain which part of Germany the United States would occupy, the SHAEF German Country Unit made two sets of plans, one based on the assumption that the United States would occupy Northwest and the United Kingdom Southwest Germany and the other based on the arrangement that later was actually adopted.

As will be seen in the subsequent narrative, there were at all times major topics in which the formulation of policy was left to the theater. This is not necessarily objectionable: there are grounds for arguing that government-level guidance to military government commanders should be kept to an absolute minimum, affording the maximum freedom for on-the-spot decisions. The difficulty arises when there is neither positive policy nor a "policy not to have a policy," so that the theater commander is given neither a decision nor permission to make his own decision.

^{1/} Memorandum, "Interests of Army Services Forces in Germany," from Major D. H. McLean to Major General Edgerton, 12 Jul 44, ASW decimal file 370.8 Germany, DRB. SECRET

SECRET

Chapter III

MILITARY GOVERNMENT PLANNING AND ORGANIZATION, 1940-1949

MILITARY GOVERNMENT DOCTRINE AND TRAINING

In contrast to the British practice of subjecting theater commanders to strategic decisions made at the seat of government, American military doctrine has always emphasized the maximum autonomy and absolute authority of the field commander. The contrast between British and American thinking was demonstrated significantly at the meeting of the Combined Chiefs of Staff at Malta on 30 January 1945. Here, according to Gen Bradley, the British challenged the American plan for a double envelopment of the Ruhr and proposed that Gen Eisenhower be directed by the CCS to concentrate his strength behind Montgomery on the northern flank. Gen Marshall, however, in addition to supporting Gen Eisenhower on the strategic merits of the case, objected strenuously to having the Combined Chiefs of Staff instruct a field commander how to accomplish his job.¹

Although the case related by Bradley did not involve military government, there were numerous issues that did. Perhaps the most important of these was the recurrent dispute over the function and authority of political advisors representing the respective foreign offices.

1. General Omar Bradley, A Soldier's Story, New York, 1951, pp 513-14.

SECRET

The contrast between British and American methods is also reflected in the fact that, while supervision of the Control Council for Germany (British element) was transferred to a civilian Control office in London soon after the close of hostilities, instructions to American Military Government were issued through the War Department until the complete transfer of occupation administration to a civilian agency.

Military government doctrine, as expounded at the FMGO School of Military Government in Charlottesville, placed civil affairs officers in a staff relationship to their respective area commanders. In an opening lecture on 15 May 1943, for instance, Colonel C. P. Stearns said:

"It is important to remember in all our work that military government is a function and a responsibility of the Commanding General in the occupied territory. In brief, it is a one-man government. Civil affairs officers are his assistants. He alone, however, is responsible to his superior for the conduct of civil affairs in the area over which he is in control, just exactly as he is responsible to his superior for the conduct of the war in his area. The two are inseparable."¹

The staff relationship of military government was amplified in a subsequent Charlottesville lecture as follows:

"The Theater Commander has on his staff an officer known as the Officer in Charge of Civil Affairs, or by some similar title. This officer . . . is a special staff officer . . . his functions include

-
1. Transcripts of Lectures given in Fourth Course, FMGO School of Military Government, Lecture 1, 15 May 1943, Col C. P. Stearns: Records of FMGO School of Military Government, Charlottesville, Virginia, DRB.

SECRET

technical advice and recommendations to the commander and his general staff, preparation of plans, estimates and orders . . . and coordination with the general staff sections of his administrative plans and activities. In a general sort of way, as shown by paragraph 14 C (16) Field Manual 101-5, general staff supervision over Military Government is exercised by G-1; but it is a mistake to assume that any special staff officer comes wholly under any particular general staff officer; there are many matters affecting Military Government which must be coordinated with G-2, 3 or 4.¹

The training at Charlottesville, and presumably at other centers, was presented in terms of a theoretical pattern of military government organization. From the documentation, however, as well as from Gen Clay's description of the steps leading to the consolidation of military government agencies in Germany, it is apparent that the theater commander possessed at all times authority to determine the structure of military government and its position in the military organization as a whole.² Although the Civil Affairs Division and top-level Army officials sometimes gave the theater commander advice and recommendations on the organization of military government and although after surrender an increasingly stringent budgetary and manpower control was instituted, the theater commander was always free to make his own organizational decisions.

Various authors have claimed that the training at Charlottesville, Fort Custer and at the Civil Affairs Training Schools (CATS) organized

-
1. Loc.cit., Lecture 4, 17 May 1943, Col Underhill.
 2. See, for instance, Minutes of War Department General Council 29 March 43 (RG-110 A-48-41, DRB SECRET), Report of Gen Hildring's Inspection Trip to Europe, 1 Nov 44 (RG-999, DRB SECRET), pp 7-8, 10 and 15-17, also Decision, pp 53-56.

III-3

SECRET

SECRET

at various universities was inadequate in terms of the operating needs later encountered. Carl J. Friedrich indicates that the combat phase of military government was overstressed while insufficient attention was given to the special problems that might be presented in case of total collapse of the enemy's resistance and government.¹ Harold Zink states that many of the teachers were ill-informed concerning their geographical areas of specialization and that what information they had was historical rather than current. A similar criticism is also voiced by John Brown Mason,² who adds that the entire program lacked coordination.

If the content of military government curricula is to be appraised, with the advantage of hindsight, in terms of the job that military government actually had to do, the fairest criticism is perhaps that America as a whole had not yet learned the lesson that the primary mission of military government is not technical but political: that military government is both the instrument and the creator of foreign policy. As Friedrich puts it:

"It would be unfair to blame the military authorities exclusively or even primarily for these shortcomings. The failure lay with the political leadership, which failed to grasp - or at any rate failed to

1. Carl J. Friedrich, "The Three Phases of Field Operations in Germany, 1945-46," Chapt XI in Experiences.
2. Harold Zink, American Military Government in Germany, MacMillan, New York, 1947, passim; John Brown Mason, "Lessons of Wartime Military Government Training," Annals, pp 183-92.

SECRET

impress on the military - the essential revolutionary task in which the American Forces were engaged, and the comprehensive military government tasks resulting from such a total collapse as the avowed destruction of the Nazi regime implied . . ."¹

A chronological comparison of manuals, handbooks, and other expressions of military government doctrines issued during the course of World War II shows, indeed, the gradual transition from a non-political to a political concept of military government. The change is typified by the shifts in phrasing and emphasis in Field Manual 27-5, Military Government, as published in 1940, 1943 and again in 1947. The policies and procedures indicated in the 1940 Manual were based mainly on the Rhineland experience, a static occupation under the terms of an armistice, with no intention to change the political or social institutions of the occupied country.² "The existing laws, customs and institutions of the occupied country," states the 1940 Manual (Paragraph 9d), "have been created by its people, and are presumably those best suited to them."³ Even the early courses at Charlottesville emphasized the problems of maintaining order with minimum expenditure, provisioning troops, and maximizing the economic contribution of occupied territory to the Allied war effort.⁴ As pointed out by a committee charged with

1. Experiences, p 239.

2. Office of the Provost Marshal General: World War II, A Brief History, Part V by Col J. I. Miller: available in National Archives and Library of Congress.

3. This statement is omitted in the 1943 and 47 editions.

4. Memorandum from R. A. Winnaker to William L. Langer, Subject: "Lectures at the School of Military Government," 28 July 42: State Department Records of OSS: Area III, Lot M-58, Shelf 4-10, Box 12.

SECRET

studying the military government training problem, no provision was made "for a situation in which the legal status quo would be repugnant to the conquerors or the administrative personnel unacceptable."¹ This realization led to changes in emphasis, and by 1944 the manuals and guides prepared in various Washington and theater agencies all attempted to proceed from coherent political premises. The trouble was that agreement was never reached on what these premises should be.

WASHINGTON PLANNING FOR MILITARY GOVERNMENT

Establishment and Functions of the Civil Affairs Division

The necessity for integrating civil affairs and military government functions, which led to the establishment of the Civil Affairs Division, was emphasized by the difficulties encountered by General Eisenhower in controlling and unifying the activities of the various civilian agencies that followed the advancing army into the North African Theater. The conflict was not only of policy but also of vested interests. For civilian agencies such as the Office of Lend-Lease Administration and the Board of Economic Warfare direct participation in the economic administration of occupied areas was a first step toward survival as accredited agencies of post-war reconstruction.²

-
1. Memorandum, "The Problem of Military Government," A Report by the Committee on Military Government to the Board of Analysts, undated: Source: Same as preceding item.
 2. The civilian agencies, with the aid of the Office of War Information, were even able to generate public pressure to support their respective claims. A cable from the Theater to Washington (from Algiers

SECRET

The need for consolidating CA/MC activities under the "absolute and complete control" of the theater commander was emphasized not only by the Provost Marshal General, but also by Army Service Forces whose Commander, Lt Gen Brehon B. Somervell, wrote to Assistant Secretary McCloy:

"We have had the opportunity to learn a real lesson from North Africa, which lesson to me is that you cannot separate the handling of civil affairs from military operations in areas in which military operations are under way, and that an attempt to do so in a hostile country would be disastrous. Each theater commander contemplating active operations should have a Civil Affairs Division under an experienced officer selected for his administrative qualities to act for the theater commander in all civil affairs. This division should plan in advance the administrative procedure to be established in an occupied country, the supplies which must be assembled to handle these affairs after occupation. It is my view that this division in a hostile country should include the following sections: (1) Fiscal, (2) Judicial, (3) Supply, (4) Relief and Rehabilitation, (5) Political, (6) Police, (7) Medical Care and Sanitation, and other such sections as advance planning indicates to be necessary. In a friendly country from which we are driving the enemy, a smaller staff might be effective."¹

from Hazeltine signed CJNC cite FHPWO, to War Department, Marshall for Elmer Davis, CM IN 11349 of 25 Jan 43, CAD Numerical File, RG-122, DRB) complained as follows (paraphrase): "US newspaper critics view North Africa from a simple ideological idealistic angle. Little recognition that North Africa is in the first place a military operation. The military purpose is to secure the south shore of the Mediterranean and to launch a strike at Europe. We did not occupy North Africa in order to further social or political revolution. If we had attempted to overturn the whole Vichy set-up we would have lacked manpower and freedom of action to strike at Tunis." SECRET. The problem is also dealt with in a memorandum, entitled "Organizational History of Relief, Rehabilitation and Civil Affairs," from J. Anthony Panuch to Maj Gen Lucius D. Clay (then Director of Materiel, ASF), 1942, from Mr. Panuch's files. See also MIL Gov 7.

1. Memorandum from Gen Somervell to Assistant Secretary McCloy, 3 Apr 43, quoted by Panuch, loc. cit., p 9.

III-7

SECRET

SECRET

Gen Somervell emphasized the need for agreement on organization with the British and for adopting a firm plan designed to prevent the administration of civilian affairs from interfering with military operations.

Action to turn the North African experience to practical account was initiated by Colonel Arthur B. Wade, the officer in charge of civil affairs in ETOUSA, and a member of the combined Committee for the Administration of Territories (Europe).¹ On 20 January 1943 Col Wade initiated a memorandum to the War Department outlining the respective civil affairs responsibilities of military and civil authorities. This memorandum was approved successively by Commanding General Hartle of ETOUSA and in Washington by the Operations Division of the General Staff and by the Headquarters of Army Service Forces. It recommended that the War Department approve, and obtain Department of State concurrence in, two basic principles:

- (a) That initial planning for and handling of civilian supply in conquered territories shall be solely a military responsibility;
- (b) That discussions for this purpose be initiated between the United States and British military authorities on the one hand and

1. This Committee, known as AT(E), was established in Jun 42 under the Chairmanship of Sir Frederick Bovenshon, permanent Under Secretary of State for War, and included a member from the Foreign Office, the Ministry of Finance and two general officers of the British CMC. The United States Army was represented by two officers from ASF and a medical officer, with a representative from the United States Embassy as observer. Early in 1943 the US Department of State and the British Foreign Office agreed to admit representatives of the Norwegian, Dutch and French Governments in exile. Panuch, loc.cit., pp 2-3.

SECRET

the Governments in exile on the other.¹

Shortly thereafter, the principle of unified control was officially accepted, as evidenced by the following cable sent on 21 March 1943 by General Marshall to General Eisenhower:

"Plans and operations for the initial stages of civilian relief in Tunisia will be strictly military responsibility. This is final decision of US Government and of the War Department."²

According to Panuch, the paper of 20 January 1943 focused War Department attention on the need for establishing an organization to plan the handling of civil affairs in reoccupied territory. In February 1943 a proposed charter for a Civil Affairs Division of the War Department was circulated to major divisions for concurrence, and on 1 March 1943 the directive establishing the Civil Affairs Division was issued. This directive and the organization chart of the Civil Affairs Division as of 10 December 1943 appear on the two following pages.

The Civil Affairs Division comprised the following subordinate units:

(a) the Military Government Branch (renamed Government Branch in 1944), charged with making plans and policies for the governmental structure and administration of occupied countries;

1. Cited by Panuch, loc.cit., p 11.

2. Cable, CAD, War Department to Commander-in-Chief, Allied Forces, Algeria, 21 Mar 43, CM OUT 7856: CAD Numerical File, RG-122, DRB
SECRET

SECRET

SECRET

WAR DEPARTMENT
THE ADJUTANT GENERAL'S OFFICE
Washington

AG 014.1 (2-27-43) OE-S-E

CJM/reh-2B-939 Pentagon

March 1, 1943

SUBJECT: Civil Affairs Division

TO: Colonel J.H.F. Haskell, Infantry
Operations Division, War Department General Staff.

1. By direction of the Secretary of War, a Civil Affairs Division of the War Department is hereby established. You are designated Acting Director of this Division.

2. The primary function of the Civil Affairs Division is to inform and advise the Secretary of War in regard to all matters within the purview of the War Department, other than those of a strictly military nature, in areas occupied as a result of military operations. The Civil Affairs Division will perform such additional advisory and administrative functions in connection with civil matters as may be prescribed by the Secretary of War.

3. Close coordination will be maintained between the Civil Affairs Division and the Operations Division of the War Department General Staff and other military agencies of the War Department. To this end, all communications from the Civil Affairs Division to a commander in the field will be cleared through and transmitted by the Operations Division. The Civil Affairs Division will maintain liaison with civilian agencies exercising functions in any theater in which the Civil Affairs Division may be engaged.

4. The initial organization of the Civil Affairs Division will include a Chief of Division, an Executive, a secretary and such additional officers as the Secretary of War may direct. One working member of the Civil Affairs Division will be detailed thereto by the Chief of the Operations Division, War Department General Staff, and one working member will be detailed thereto by the Commanding General, Services of Supply.

5. The Civil Affairs Division will maintain an office of record on civil affairs matters and action taken by it in the performance of its assigned mission.

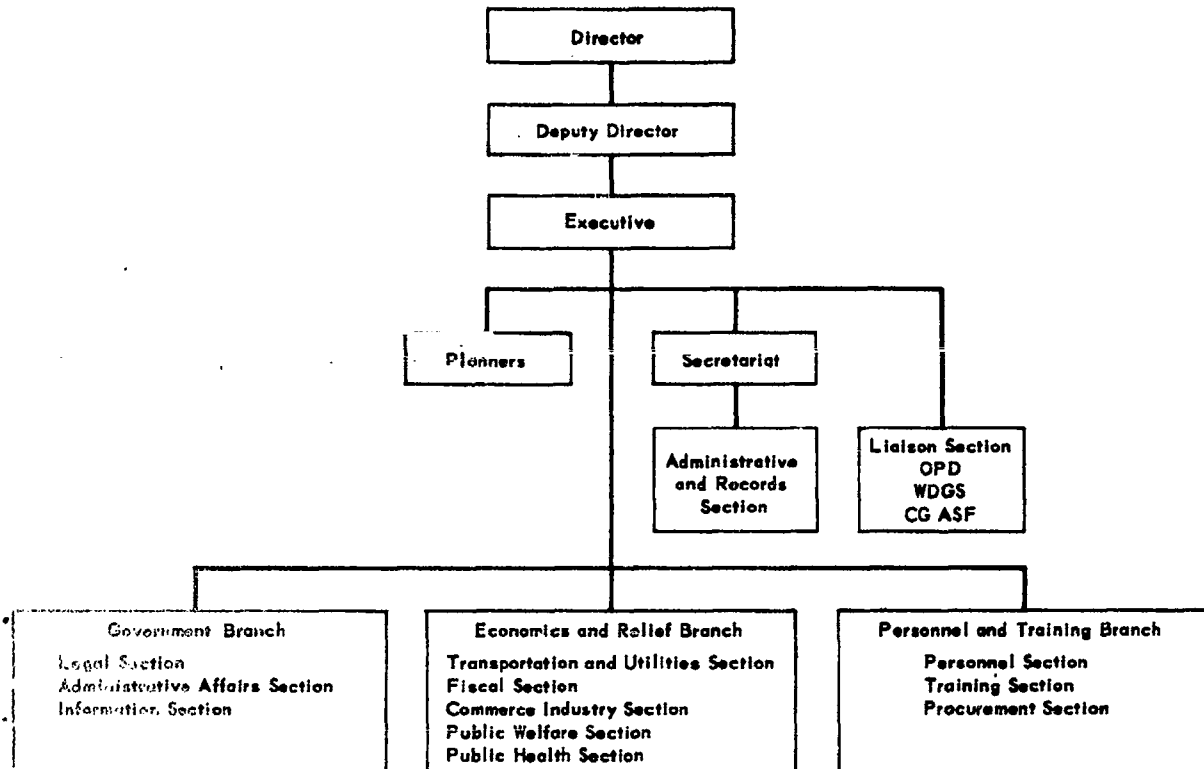
/s/ J. A. Ullo

J. A. ULIO
Major General
The Adjutant General.

III-9a

SECRET

SECRET



Civil Affairs Division

SECRET

(b) the Economics Branch, concerned with questions of industry, agriculture, transport, labor, finance and foreign trade;

(c) the Civilian Relief Branch (later merged with the Economics Branch to form the Economics and Relief Branch), charged with coordinating Army administration of relief during the initial period of the occupation before civilian agencies could operate;

(d) the Personnel and Training Branch, charged with planning curricula for civil affairs schools (including those administered by FMGO) and with supervising personnel affairs of overseas military government units; and

(e) a group of Planners attached to the Office of the Director.¹

The training of military government officers, as well as the preparation and publication of instructional materials, remained a function of the Military Government Division of the Provost Marshal General's Office.²

As mentioned in Chapter 2, the War Department left decisions on the organization and specific functions of CA/MG units to the theater commander. It did, however, exert its influence to prevent the

1. Minutes, Gen Council of War Dept, meeting of 17 Mar 43, RG-110, DRB. SECRET Also Records II, pp 128-130.

2. Records II, pp 539-40.

SECRET

SECRET

European Advisory Commission from moving into the field of pre-surrender operations, which it considered to be the exclusive province of the military.¹ Otherwise, the War Department furnished little policy or operational guidance until it was forced to intervene in the "Handbook Dispute" of summer 1944 (see Chapter IV, infra) in which its role was more that of a buffer than of an originator of policy.

In October 1944, however, Assistant Secretary McCloy recommended that Gen Eisenhower place a competent high-ranking officer in charge of Civil Affairs.² While emphasizing that Gen Eisenhower was entirely free to make his own selection, McCloy suggested Under Secretary of War Patterson, who agreed reluctantly to accept the assignment. Gen Eisenhower concurred, but Secretary Stimson insisted that Patterson remain in the Department as long as possible, and there was a series of delays in his transfer to the theater. In March 1945, after it was found that Patterson could not be made available within a reasonable time, Lieutenant General Lucius D. Clay was selected to become Gen Eisenhower's deputy for Military Government.

-
1. In a telephone conversation with Col Bendetsen on 5 Jan 44, Gen Hilldring stated (paraphrased) that the Joint Chiefs of Staff were worried lest the European Advisory Commission become a "super Civil Affairs Commission". There was a united US front including the State Dept concerned with keeping the EAC completely occupied with post-hostilities problems. Telephone conference WD-TC-120, 5 Jan 44, CAD Numerical File, RG-122, DRB. SECRET
 2. Ltr Assistant Secretary of War John J. McCloy to Gen Eisenhower, 25 Oct 44: ASW Decimal File 370.8 Germany, DRB. SECRET

III-11

SECRET

SECRET

In May 1945, the Civil Affairs Division took the initiative in urging prompt activation of the Allied Control Council for Germany and dissolution of SHAEF. The Soviets, however, insisted on prior withdrawal of Western troops from the Soviet zone, and the Control Council did not hold its first meeting until 30 July 1945. Decision to terminate SHAEF on 14 July 1945 was likewise made by intergovernmental political agreement.¹

Steps toward Civilianization of Military Government

The next major organizational problem faced by the War Department in connection with military government was that of civilianization, a prospect that had always been in the background but which first emerged as an immediate issue in October 1945. Gen Eisenhower had held consistently that long-term occupation administration "is a civilian function, operating through civilian organizations which must be set up under policies we dictate and must be compelled to carry out the reforms we demand".² Gen Clay writes that ". . . General Eisenhower agreed with me that we should build promptly an organization which could be

1. Memorandum from Gen Hilldring, Director of CAD, to Chief of Staff, bearing concurrence of latter, 19 May 45, CAD Decimal File 334 USGCC/G, RG-122, DRB, SECRET; Minutes of Meeting of the Military Governors, 5 Jun 45, OPD Decimal File 336 Germany, DRB, SECRET, also cited in unclassified memorandum "Historical Summary of the Agreement and Events which preceded the First Meeting of the Allied Control Council," OMCUS Historical Files (undated), p 14; and Eisenhower, Crusade in Europe, p 435.
2. Ltr Gen Eisenhower to Gen Marshall, 13 Oct 45, WDSOA Decimal File 091 Germany, RG-110, DRB, CONFIDENTIAL

SECRET

transferred bodily to a civil branch of government,"¹ and Gen Eisenhower considered that US Military Government, which in October 1945 was still in a transitional phase, could be so transferred without difficulty. He was amazed that "Congressional Committees, visiting in my office, Secretary Ickes, Mr. Davies, Mr. Hillman, and others have all professed themselves to be astonished to learn that the Army actually wants to turn over the governmental job to civilians as promptly as it is authorized to do so."²

On 26 October 1945 Gen Eisenhower wrote to President Truman through the Chief of Staff suggesting intergovernmental discussions with a view to civilianizing all four Military Governments in Germany "at the earliest date that can be mutually agreed upon, in no event later than 1 June 1946."³ A similar recommendation was made by Byron Price, who had surveyed the theater as personal representative of the President, and who was impressed by the increasing predominance of civilian problems. Price recommended immediate planning and recruiting

1. Decision 53. For a full account of the 1945-49 discussions leading to replacement of OMGUS by HICOG, see Guy A. Lee, The Establishment of the Office of the US High Commissioner in Germany, Historical Division, HICOG, 1951.
2. Eisenhower, loc.cit.
3. Ltr Gen Eisenhower to President Truman, 26 Oct 45, WDSCA Decimal File 091 Germany, RG-110, DRB.

SECRET

of civilian personnel, but felt that the final change to civilian control should not take place before 1 June 1946.¹

The War Department considered that civilianization meant the transfer of operational responsibility for government in Germany to the State Department, which already had policy-making authority. Even before Gen Eisenhower had raised the question, Secretary of War Patterson had written to Byrnes on 23 October 1945 suggesting that the War Department organization that supervised government in Germany be transferred bodily to the State Department some months later. The same position was repeated in a letter from the Secretary of War to the Secretary of State dated 2 November 1945. The Secretary of State replied on 3 November 1945 suggesting that the organization in charge of recruiting personnel be civilianized and that the transfer take place on 1 June 1946" either to the State Department or to an independent agency."²

On 27 November 1945, the Civil Affairs Division sent to the State Department recommendations for the formation of a new authority, a "civilian counterpart of JCS and Civil Affairs Division so far as they are involved with the military government of Germany." In reporting

1. Byron Price, Report to the President dated 9 Nov 45, available in Bureau of the Budget Library; Ltr, Secretary of War to Secretary of State, 29 Dec 45, WDSCA Subject Decimal File 091 Germany, RG-110, DRB.

2. Ibid.

SECRET

this to the Secretary of War, Gen Hildring noted that "there is complete agreement in the War Department with the conclusions of Mr. Price."¹

At a meeting on 18 December 1945, however, attended by Secretary of War Patterson and Under Secretary Acheson and Assistant Secretaries Dunn and Russell of the State Department, the State Department representatives made a new suggestion, that the occupation administration should indeed be civilianized, but that responsibility should remain with the War Department. They suggested as alternatives that responsibility could be lodged with the State-War-Navy Coordinating Committee or with a new independent agency. They asserted positively, however, the Department of State did not wish to assume operating supervision over occupation administration in Germany.²

The Cabinet Meeting of 21 December 1945 discussed the question whether supervision of government in Germany, after civilianization of the function, should be under the War Department or the Department of State. Secretary Byrnes confirmed the view stated three days before by his subordinates, and on 22 December Secretary Patterson restated his case in a letter to Secretary Byrnes. "It is clear to me," he wrote, "that the President contemplates the withdrawal of the War Department as well as its components from the Military Government of Germany just as soon as this function can be turned over to civilians and civilian agencies of the Government." A transfer of responsibility

1. Memorandum, Subject: "Recommendations of Byron Price Report on Germany," from Gen Hildring, Director, CAD, to Secretary of War, 3 Dec 45, WDSCA Decinal File 014 Germany, Section IV, RG-122, DRB.
2. Secretary of War Patterson, loc.cit.

III-15
SECRET

SECRET

to SWNCC would force a purely policy body to assume operating functions. Furthermore, an operating agency supervised by SWNCC, which was two-thirds military, could not be considered a civilian administration. The War Department did not intend to withdraw abruptly from its present responsibilities, wrote Secretary Patterson. Both in Washington and abroad going concerns would be transferred, and the War Department would in any case continue to provide logistic and communications facilities.¹

The War Department marshalled all its arguments in a memorandum forwarded by Secretary Patterson to Secretary Byrnes on 29 December 1945. This memorandum, which was also sent to the Bureau of the Budget, reviewed the negotiations so far and gave the following reasons why adequate civilian control could be achieved only by transfer of responsibility to the State Department:

1. The State Department has complete control of foreign relations including governmental policy in enemy areas. Separation between policy and operations has always been unsatisfactory, as in the divided responsibility between State and FEA in foreign economic matters. Overseas operations in the government of Germany are bound to make policy, and sound policy on a governmental level can be laid down only by an agency familiar with operations. Present lack of personnel is no argument: they could be recruited by 1 June 1946 and some could be supplied by the War Department. Inexperience in administrative operations could be compensated by delegating maximum administrative authority to the field.

1. Ltr, Secretary of War Patterson to the Acting Secretary of State, 22 Dec 45, WDSCA Decimal File 091 Germany, RG-110, DRB.

SECRET

2. Continuance of responsibility for operations in the War Department would not be a forthright "civilianization," even though the officials wore civilian suits. The case was analogous to the transfer of the Bureau of Insular Affairs years before from the War Department to the Department of the Interior.

3. Creation of a new independent agency to supervise government in Germany would be most undesirable. The function required the prestige and support of an established branch of government. Creation of a new operating agency with policy still vested in the Department of State, would divide responsibility anew where there should be unified authority.¹ In spite of the Secretary of War's argument, and although President Truman, in releasing Gen Eisenhower's letter of 26 October 1945, had indorsed civilianization of occupation administration by 1 June 1946, subject to agreement of the other powers, the discussion seemed to have hit a dead center. The issue of transfer of occupation administration to a civilian agency lapsed into dormancy. During 1946 and 1947, however, the American Military Government of Germany rapidly became a civilian agency in fact, even though its formal procedures remained those of a military command. On 8 April 1946 the Department of State established the Office of Assistant Secretary of State for Occupied Areas (first incumbent: Gen Hildring, until then Director of CAD), whose function was to coordinate the policy but not to administer it; this step indicated that the Department did not contemplate moving into operation in the immediate future.

1. Ltr, Secretary of War Patterson to Secretary of State Byrnes, 29 Dec 45, WDSCA Decimal File 091 Germany, RG-110, DRB.

SECRET

On 30 August 1947, Patterson's successor, Secretary of War Kenneth C. Royall, began a new discussion of transfer of occupation administration with Under Secretary of State Robert A. Lovett. On 3 September Royall wrote to Lovett, emphasizing the role of the State Department in quadripartite government, and asking that State "take over full responsibility for the policy direction and operation of the Government of the US Zone of Germany on 1 November 1947." He appended to his letter a timetable of steps designed to assure completion of the transfer by that date.¹

Planning for the transfer began in both the War and State Departments during the fall of 1947 but proceeded much more slowly than Secretary Royall had contemplated. There also developed a seeming lack of coordination between top policy officials and staff planners. When Secretary of State Marshall announced early in January 1948 that the State Department was ready to take over military government in Germany, this surprised not only Gen Clay but also most of the officials concerned with occupation administration in both the War and State Departments.² On arriving in Washington a few days later for Appropriations Hearings, however, Gen Clay urged the Department of the Army to agree with the State Department on a definite date for the

1. Ltr, Secretary of War to Acting Secretary of State, 3 Sept 47, ASW Project File, Germany, DRB.

2. Decision, p 239.

SECRET

transfer, requesting his own return to the United States for retirement on 1 April 1948.

Planning activities were then intensified and in February 1948 arrangements were made for sending a joint State-Army survey team to Germany to plan the theater side of the transfer. While the team was at work, however, relations with the Soviet Union deteriorated rapidly and on 23 March Gen Clay was notified of a presidential statement that in view of the existing situation no changes would be made in the existing arrangements for Germany.¹

The transfer plan remained in suspense until the Berlin blockade ended in May 1949. Meanwhile, the West German Basic Law (Constitution) had been approved, and the Western Allies had agreed on trizonal fusion and an occupation statute providing for a civilian High Commission.² As soon as a firm timetable for establishment of West German Government had been fixed, preparations for transfer of occupation administration to the Department of State were expedited. This time planning was concentrated in Frankfurt, with joint review by the State and Army Departments in Washington. The Civil Affairs Division was deactivated on 15

-
1. Telecon Berlin TT9042 between Dept of the Army (Col W. W. Harris, CAD, R.C. O'Brien, OSW, Arthur Kimball, State) and OMGUS Berlin (Robert M. Barnett, Personnel Advisor, James L. Sundquist, Director of Management Control, and R. D. Snow, Control Office), 4 Feb 48, OMGUS Telecon File, KCRC, CONFIDENTIAL. Decision, p 240.
 2. See Elmer Plischke, The Allied High Commission for Germany, Historical Division, HICOG, 1953.

SECRET

July 1949, and its remaining functions, largely of a liquidating nature, transferred to the Office of the Assistant Secretary of the Army.¹

Special Phases of Planning

Although the Civil Affairs Division was the principal planning agency of the War Department/Department of the Army for Military Government, various other branches were concerned with plans affecting their special fields. One of the most important of these was the budget office, which was charged with evaluating, revising and justifying requests for appropriations both for occupation administration in general and for relief and recovery in particular. While the Civil Affairs Division was initially responsible for the planning of the civilian supply program for Germany, procurement was a function of the Quartermaster Corps, which insisted on and secured a certain share of authority in the planning of the food program.² Later, planning and procurement were combined under a Food Administrator for Occupied Areas attached to the Office of the Under Secretary of the Army. The chartering of ships to carry the food was a function of the Chief of Transportation. An

1. Cables, Asst Sec of Army to Frankfurt Mil Post for OMGUS, WAR91912 (RESTRICTED) and WAR91936 (CONFIDENTIAL) of 25 Jul 49; Asst Sec of Army to CINCEUR, WCL 29747 of 26 Jul 49, CAD Numerical File, DRB.
2. Memoranda, Deputy Chief of Staff to Director of CAD, Subject: Procurement and Initial Financing of the US Program for Germany, 5 Aug 45, CAD Decimal File 014 Germany, DRB; between CAD and OQMG, Subject: Level of Living Conditions in US Zone of Germany, 22 Aug 45, 30 Nov 45, CAD Decimal File 014 Germany, DRB, SECRET; Director CAD to Commanding Gen ASF through CS, Subject: Subsistence Supplies, Germany, 26 Dec 45, WDOSA Decimal File 091 Germany, DRB.

III-20

SECRET

SECRET

additional planning function might have arisen had the Army taken over in 1948 the functions of the Foreign Liquidation Commissioner, a transfer which both Secretary Royall and Gen Clay successfully opposed.¹

MILITARY GOVERNMENT PLANNING AND ORGANIZATION IN THE THEATER

Military Government Planning in SHAEF

As noted in Chapter II, theater planning for military government was a function of the Chief of Staff to Supreme Allied Commander (COSSAC), an office created in April 1943. The British Lieutenant General F. E. Morgan was appointed as COSSAC, with the American Major General R. W. Barker as his Deputy. Civil Affairs/Military Government was considered a subordinate aspect of what Gen Morgan called "nothing less than the reconquest of Europe," the total planning for which he hoped to accomplish with a relatively small staff, drawn from British and US forces present in the United Kingdom.²

Military government planning in COSSAC found its tasks set by the overall military strategy of the Allies. In 1943 there were two

1. Telecon (SECRET) between War Dept (Under Sec Draper) and OMGUS (Gen Clay), 31 Dec 47; and Telecon Berlin TT9280 (CONFIDENTIAL), between CAD (Maj Gen Daniel Noce) and OMGUS (Gen Clay), OMGUS Telecon File, KCRC.
2. Opening address by Gen Morgan, Chief of Staff to Supreme Allied Commander (Designate), 17 Apr 43, and undated Directive entitled "Amphibious Operations from the United Kingdom." In the course of this address Morgan said: "I am determined that this outfit shall stay small. . . . It should be modeled on the staff employed by Marshal Foch at the end of the last War. If you remember, he had a really small body of selected officers who dealt with the major decisions on broad lines, the day-to-day work of the War being delegated completely to Commanders of Army Groups." File 337/14, Subject: COSSAC Staff Conferences, Records of SHAEF, OCS/SGS, RG-910, DRB. CONFIDENTIAL.

III-21

SECRET

SECRET

alternate assumptions, both considered possible. One was that German mastery of the Continent would continue unchallenged until German troops were pushed back by a major cross-channel assault (Operation OVERLORD). The other assumption was that of a partial or total German collapse during the winter of 1943-44 in which case combat effort might be less important than control and direction of civil affairs. Plans for this eventuality came under the heading of Operation RANKIN, which was divided into three possible cases, described in the official history of COSSAC as follows:

"The outline plans for Operation RANKIN as now evolved were designed to cope with three situations, one of which might possibly arise. RANKIN Case A provided for a return to the Continent under conditions of such substantial weakening of the strength and morale of the German armed forces as would permit of successful assault with the Anglo-American forces available prior to the target date of Operation OVERLORD. RANKIN Case B was concerned with the method of return should the Germans withdraw, totally or partially, from the occupied countries. RANKIN Case C dealt with the action to be taken in the event of unconditional surrender by Germany and the cessation of all organized resistance in North-West Europe."¹

As Gen Morgan pointed out, "the essential difference between OVERLORD and RANKIN was that while in the case of OVERLORD the initiative as to the date of the Operation rested with ourselves, in the case of RANKIN it rested with the enemy."²

For awhile during the summer of 1943 there was considerable optimism that "RANKIN" conditions might actually develop. In late July 1943

1. "History of COSSAC, 1943-1944," Historical Sub-Section, Office of Sec, Gen Staff, SHAEF, May 44, p 10. SHAEF Decimal File 314.8 (bulky), RG-910, DRB. SECRET
2. Minutes of COSSAC Weekly Staff Conference, 5 Jun 43, source as in Note 2, p 21. CONFIDENTIAL

SECRET

Gen Morgan indicated "that planning for RANKIN must now be considered the most urgent part of our business." There ensued discussions of how to seize critical points in Germany following a German military collapse and what to do if RANKIN had to be mounted before US troops had arrived in appreciable numbers in the United Kingdom.¹

These developments made it appear important, particularly to the British Government,² to establish a civil affairs organization within the COSSAC Staff. On 21 June 1943, the Combined Chiefs of Staff were requested to assign to COSSAC suitable officers. After an initial period in which civil affairs were conducted by one American and one British lieutenant colonel with certain technical advisors, a full fledged Civil Affairs Branch of COSSAC was established in September 1943 headed by a major general (Sir Roger Lumley) on the British side and a colonel (C. E. Ryan, succeeded shortly by Karl R. Bendtsen) on the American side.³ By 1 October 1943 the COSSAC Civil Affairs Branch had grown to 101 officers and 31 enlisted men, the approved quotas being 164 and 163 respectively. Several country units had been established, with the expectation that these would produce detailed regional

-
1. Ibid., Conferences of 26 Jul and 6 Aug 43. CONFIDENTIAL
 2. Ibid., minutes of the COSSAC Weekly Staff Conference of 29 May 43, containing the following: "Interview with (British) Sec of State for War on the subject of Civil Affairs. COSSAC had said that it was a matter of urgency that a Chief Civil Affairs Officer for the Theater should be appointed and should be given a policy."
 3. "History of COSSAC, 1943-1944," as cited in Note 1, p 22.

SECRET

SECRET

handbooks and would later be mobilized to undertake actual civil affairs or military government operations. For Germany, however, it was proposed to have planning undertaken not by an integrated staff, but by parallel staffs of American and British planners.¹

In late October, liaison was established between COSSAC and the British Post-Hostilities Planning Subcommittee by having Messrs. Phillips and Peake, the US and UK Political Advisors, attend the meetings of that body. In December 1943, the planning assumptions of COSSAC Civil Affairs were thrown into a state of uncertainty when the US Joint Chiefs of Staff proposed to the Combined Chiefs of Staff that the occupation zones be switched so that the British would take over southwestern and the Americans northwestern Germany. This question was not finally settled until the second Quebec Conference in September 1944.²

By the beginning of 1944 it was realized in COSSAC that a German collapse prior to a major channel invasion was highly unlikely. Accordingly military government planning for Operation RANKIN was discontinued, although the term "RANKIN C condition" continued in use to describe the situation of complete German collapse.

The organization of military government agencies within the theater and the establishment of their lines of command and liaison were, in

-
1. Minutes of COSSAC Staff Conference, 1 Oct 43, Progress Report by Chief Staff Officer, Civil Affairs, COSSAC, source as in Note 2, p 21. CONFIDENTIAL
 2. "History of COSSAC" (Note 1, p 22), P 26 SECRET; COSSAC Staff Conference (Note 2, p 21), 10 Dec 43, CONFIDENTIAL. Service 578.

SECRET

general, complicated by the existence of interlocking but distinct United States, British and combined military organizations. So far as the United States was concerned, there was a duality between SHAEF and ETOUSA (European Theater of Operations, United States Army). Although General Dwight D. Eisenhower was the Commander of both, each had a separate staff organization divided into sections manned by separate personnel.¹ Civil Affairs/Military Government constituted, however, an exception to this rule.

Another complication was that the planning of combat-phase military government was set in a different frame of reference from the planning of post-hostilities military government. While the former was clearly a combined US/British operation, prevailing Washington opinion held that combined post-hostilities planning would prejudice the chances for United States-British-Soviet agreement in the European Advisory Council. Although these positions were reversed in late 1944 after the appearance of the Morgenthau Plan, the logic of the situation in early 1944 led to the creation of two separate military government organizations. One, the G-5 of SHAEF and its successor in USEET, were concerned mainly with the development of pre-surrender plans and programs and the supervision of military government conducted by the armies in the field. The other, USGCC, devoted its attention to post-surrender questions and to preparation for its

1. Records II, p 747.

SECRET

forthcoming role as the United States element in the Allied Control Council for Germany.¹ Both the functional and the organizational relationships between the two were, at times, highly confusing.

When Supreme Headquarters, Allied Expeditionary Forces (SHAEP) was established in February 1944, the Civil Affairs Section of COSSAC became G-5 of SHAEP. In lieu of previous bipartite direction, Brigadier General Frank J. McSherry, chief of the American side of COSSAC Civil Affairs, was assigned as Deputy Chief of Staff, G-5, with full charge over SHAEP civil affairs. The section comprised a small staff at Headquarters concerned with policy, directives, long-range planning and coordination, plus a series of decentralized "country units" specializing in particular areas. Although it was originally intended to have detailed planning for Germany undertaken by parallel but separate American and British planning staffs, it was later decided to integrate the German Country Unit as well as all other parts of the Civil Affairs Section.²

1. Reference to the "logic of the situation" does not mean that the organizational problem was logically thought out and decision made at an authoritative level. The logic was that of various individual and group pressures which, in the absence of intervention by a higher decision-making authority, interacted to produce a series of compromises and provisional arrangements reflecting the comparative strength of the parties. See Dale Clark, "Conflict Over Planning at Staff Headquarters," Chapter X in Experiences.
2. Minutes of COSSAC Staff Conference, 1 Oct 43 (see Note 2, p 21 for full reference), Para 11, CONFIDENTIAL; Cable from SHAEP to War Dept, CM IN 4260, 6 Feb 44, CAD Numerical File, RG-122, DRB.
SECRET

SECRET

For logistic purposes, the American personnel of G-5 SHAEF, including those of the German Country Unit, were attached to the European Civil Affairs Division (ECAD), which was a part of ETOUSA. Although essentially a housekeeping agency during the period of combined operations, ECAD - which was separate from the G-5 of SHAEF and which later became the G-5 of USFET - competed at times for authority in policy formation. Its position was strengthened by the moving of the German Country Unit in April 1944 to Shriveham, where ECAD was already located.¹

The United States Group Control Council

After the European Advisory Commission had reached tentative agreement on the organization of the Allied Control Council for Germany, the United States Group Control Council (USGCC) was organized in August 1944 under the command of Brigadier General Cornelius Wickersham, the Military Advisor to the US representative on the EAC. The establishment of USGCC and its British counterpart, the Control Council for Germany (British element) (CCG(BE)) was itself a

1. Dale Clark (Experiences, 219) notes that the competitive contenders for authority over Military Government in the theater were the German Country Unit of SHAEF, the US element of G-5 SHAEF, ECAD and for a time the 12th Army Group, the conflict being made possible by absence of clear policy from Washington. "At their best the various Commands were all trying to carry out their assignments while vigorously striving to assume leadership. At their worst they were competitive contenders in a struggle for control. In some cases they duplicated planning, hoarded and raided personnel, monopolized documents, sabotaged their rivals' efforts, and maintained veritable espionage systems against one another."

SECRET

compromise between American and British views, since the British desired a civilian High Commission prepared to enter Germany with Gen Eisenhower.¹ After taking over the American personnel of the German Country Unit, USGCC moved to the London suburb of Bushy Park, where it remained in semi-seclusion for some months.

In October 1944 Gen Hildring, who was making an inspection in the theater, urged upon the SHAEF Chief of Staff, General Bedell Smith that USGCC "should be removed from the academic atmosphere in which it now operates in the shadow of EAC, to a location near SHAEF." While Gen Smith agreed, he did not then wish to crowd additional installations into Versailles.²

On 25 March 1945 USGCC finally moved its headquarters to Versailles, leaving a substantial rear echelon in Bushy Park to maintain contact with EAC and CCG(BE). At the end of May 1945 the whole of USGCC was moved to Hoechst, Germany, adjacent to the new headquarters of SHAEF, and on 10 July a forward element proceeded to Berlin to prepare for the first meeting of the Allied Control Council. The remaining personnel of USGCC, as well as new personnel being recruited, were moved to Berlin

-
1. Telecom between Brig Gen C. W. Wickersham (London) and Gen Hildring (Washington), 8 May 44, SHAEF SGS File 331.011 Germany, RG-910, DRB. SECRET (downgraded from TS)
 2. "Report of Gen Hildring's Inspection Trip to Europe," Mimeographed notes circulated within the Civil Affairs Division, War Dept, 1 Nov 44, Para 35: RG-999, DRB. SECRET

III-28

SECRET

SECRET

as rapidly as possible, and in October 1945 USGCC was renamed the Office of Military Government for Germany (US), known by the abbreviation OMGUS.

THEATER MILITARY GOVERNMENT ORGANIZATION

The Dual Structure of Military Government

So long as hostilities continued in Europe, the Civil Affairs Section of SHAEF was an operating organization, exercising technical supervision over the civil affairs officers attached to Army Groups. The United States Group Control Council, on the other hand, was a planning agency with no immediate means of putting its plans into effect. This duality continued for a time after the surrender of Germany, when USGCC moved to Berlin and G-5 of SHAEF was replaced, so far as the US Zone was concerned, by G-5 of USFET.

Even USFET G-5 had only technical supervision of military government without direct command control. During the first weeks of occupation, while municipal, county and provisional land (state) governments were being established, MG detachments reported to the respective Army Commanders. In September 1945, when State offices of Military Government were established, their directors were made subordinate to the Commanders of the Eastern and Western Military Districts. As Gen Clay points out, this arrangement could never have worked had it not been for the cooperative attitude of Major General C. L. Adcock, Chief of the G-5 Division of USFET.¹

1. Decision, 53.

SECRET

The achievement of a unified structure of military government in the theater was hampered both by the inadequacy of policy furnished by Washington and by the fact that the policy actually provided met with serious objection on the part of USGCC officials who had made it their business to become experts on Germany. As Dale Clark points out, the issuance of the original JCS 1067 of September 1944 in draft form initiated a series of developments "which limited the importance of USGCC and shifted the center of power to the US element of G-5 SHAEF."¹ The "revolt of the division chiefs" of USGCC against JCS 1067 in October 1944 led to repressive measures which culminated in an arrangement called the "Treaty of Bushy Park" under which USGCC was to be controlled by the US element of SHAEF G-5.

Under the "Treaty", USGCC was forced to adhere to a policy that it did not really support. While its division Chiefs believed that an unduly repressive policy would paralyze the German economy and cause chaos, discontent and political radicalism, G-5 of SHAEF viewed military government as an incidental phase of military operations and accepted without question the views of top-level SHAEF officials who at that time favored a harsh treatment for Germany.² Even after the

1. Op.cit., Experiences, Chapter X.

2. As Lt Gen Sir Frederick Morgan, Deputy Chief of Staff, SHAEF, commented on the pre-surrender directive CCS 551: "You will note herein that the job assigned to the Supreme Commander in Germany is ultimately 'to restore normal conditions among the civilian population as soon as possible.' To the best of my imperfect recollection, since about 1860 the normal condition of Germany has been one of intense preparation for the next war. So what?" (SHAEF SGS File

SECRET

arrival of Gen Clay in the theater in April 1945 the central position of SHAEP G-5 remained for the time being unchallenged, Gen Clay's function as Deputy Military Governor being, as he puts it, "a title without a job."¹

Although Gen Clay, as Deputy Military Governor, had been charged with staff supervision over G-5 activities in the United States Zone, and had been granted first priority in the recruitment of personnel,² the problem of activating USGCC for major responsibilities was by no means simple. Gen Clay described the situation, as he saw it on 7 May 1945, in the following words:

"I am not too happy over the accomplishments of G-5 to date. Actually it is an emergency job on an expediency basis which has been exceedingly well done; but nevertheless G-5 has not developed a type of organization suitable for the control of German organizations, nor has it established any pattern for the restoration of German organizations. This is by no manner of means intended as a criticism, as there have been many obvious obstacles in the way of a reasonably long-range approach. It is possible that a determined effort, backed by a specific philosophy, could have overcome these obstacles.

331.011 Germany, RG-910, DRB.) It was the opinion of Gen Walter Bedell Smith, Chief of Staff of SHAEP that: "JCS 1067 seems to us a very sound document which we have used and will continue to use as our 'Bible' until otherwise instructed." (From ltr to Gen Hilldring, 3 Mar 45, CAD Decinal File 014 Germany, RG-122, DRB.)

1. Decision, 8. On 12 Apr 45 Col Mark A. deWolfe Howe telephoned from Paris to Lt Col John Boettiger in Washington, summarizing the conversations between Gen Eisenhower and Gen Clay to the effect that: "It is now pretty well agreed that the zone G-5 is to be extended to comprise all MG matters." (From telephone transcript WD-TC 2570, 12 Apr 45, RG-122, DRB.)
2. Ltr, Gen Clay to Gen Hilldring, 7 May 45, CAD Decinal File 334 USGCC/G, RG-122, DRB, CONFIDENTIAL; Cable, FWD 18645, Eisenhower (personal) to Marshall, 5 Apr 45 and Staff Study, 7 Apr 45, providing action thereon, WDSCA Decinal File 091 Germany, RG-122, DRB. SECRET

SECRET

"US Group CC has done a very excellent job of planning, but it has lived too cloistered an academic life to face the realities of the problem. . ."¹

The military government responsibilities of SHAEF and USFET were, however, not entirely concentrated in the respective G-5 sections. In May 1945, two separate Economic Control Sections were established in SHAEF, representing the Ordnance and Quartermaster branches respectively. Ordnance assumed responsibility for steel mills, metal refining and fabricating and the automotive, precision instrument and optical and rubber industries, while Quartermaster took over supervision of textiles and clothing, packaging and food processing, and a number of other light industries. These sections were established under G-4 of ETOUSA with the intention they would later be transferred to G-5 of ETOUSA (USFET) and finally to USGCC.² Although the SHAEF Production Control Agency established in May 1945 was supervised by G-5, it was an interdivisional body in which G-4, for the time being, played the dominant role.³ Donald C. Stone of the Bureau of the Budget, who visited the theater in the spring of 1945, commented on the relations between G-4 and G-5 in his report of 11 May 1945 as follows:

-
1. Clay, loc.cit.
 2. Cables, HQ Communications Zone ETO, Paris to War Dept, WD CM INs 10768 and 10842, 12 May 45, CAD Numerical File, RG-122, DRB. SECRET
 3. Minutes of Conference of Branch Chiefs, G-5 Division, SHAEF Forward, 12 May 45, SHAEF/G-5/3573, RG-910, DRB. RESTRICTED

SECRET

SECRET

"The high priorities assigned by General Clay to the task of establishing production control machinery, it seemed to us was warranted in the circumstances. The aggressive development of the latter program suggests a need for other precautionary measures. The proposed centralization of planning and control of industrial production in the dynamic 'G-4 line' must be balanced in the light of scantily provided (that is in manpower) G-5 organization. At the same time G-5 is in effect responsible during the SHAEF days for (a) agricultural production, (b) representing (with SHAEF) the claims of the civilian economy on industrial production, transportation, power, etc., and (c) technical supervision of local and regional administration."¹

After the dissolution of SHAEF, the allocation of scarce materials and supplies (at that time including practically all commodities) was handled jointly for the US and British Zones by the Combined Resources and Allocations Board, a theater agency known by the abbreviation CRAB. Gen Clay initiated for the US Zone a program for shifting allocation and distribution to the re-established German governmental machinery as rapidly as possible. The remaining Military Government economic controls, decreasing in volume and complexity as more and more responsibility was transferred to the Germans, were progressively concentrated under the Economic Divisions of USMACV/OMGUS. There was resistance to this program, which led Gen Clay to comment:

"Of course, this type of indoctrination sounds very simple. Actually, it is most difficult as a normal instinct of the American is to get in and do the job, rather than to reorganize the German framework under proper controls to get the job done. Also, each

-
1. Report on the Mission of Donald C. Stone and Eric H. Biddle to Germany, 24 Apr-1 May 45, dated 11 May 45, CAD Decinal File 014 Germany, RG-122, DRB.

117-20

SECRET

SECRET

Staff Division and each Technical Service has a long history of empire building, which, of course, must be broken down if we are to make the Germans responsible for their own administration. . ."¹

A problem that drew considerable comment was that of complicated command channels. Although no guidance on this subject was given from Washington, the problem itself was the result of American military doctrine subordinating CA/MG on all levels to the tactical commanders. The American doctrine of the all-inclusive powers of the tactical commander, which was followed under SHAEF and in the US Zone after SHAEF had been dissolved, was at variance with the British idea of a special Military Government channel.² Since military government teams remained at their assigned posts while the tactical troops kept shifting and moving, the doctrine of MG responsibility to the tactical commander produced curious results. The highest ranking officer among the military units in a town would automatically become the town commander. Donald Stone noted in his report of 11 May 1945 that:

"One MG detachment visited by us had been successively responsible to seven tactical unit commanders for operational control during the four weeks they had functioned at that location. During the same period

1. Ltr, Gen Clay to Gen Hildring, 7 May 45, as cited in Note 2, p 31. See also Stone, loc.cit., commenting on Gen Clay's plan for production control machinery.
2. Ltr, Gen Hildring to Gen Clay dated 21 May 45 (CAD Decimal File 334 USGCC/G, RG-122, DRB.) contains a warning to avoid the British influence in setting up Civil Affairs on a "territorial basis," meaning really outside of normal military channels. "It may work in the British Army. We tried it in Italy and fell flat on our face, and if we try it again in the US Zone in Germany, we will, I am sure, come a cropper again. But whatever the theoretical justification, if in practice the Military Government officer (Lt Col) sitting in the same town with a Division Commander is independent of the Major General, God help the Lieutenant Colonel and the Military Government." SECRET

SECRET

the detachment had been alternately responsible to two Army Headquarters for technical staff supervision. . . slow percolation of directives and rulings from higher to lower echelons, as these papers were bucked up, down and laterally through a veritable maze of command and 'technical staff' channels, form the general refrain of complaint from MG (and G-5) officers. . . Plans for the rapid simplification of military command channels should, in our opinion, receive high priority."¹

Some of the desired simplification was accomplished through the consolidation of military government operations under OMGUS begun during the latter part of 1945 and completed in 1946.

Internal Structure of USGCC/OMGUS

As originally established in August 1944, the United States Group Control Council had three major divisions. The Armed Forces Division was to plan for disposal of the German armed forces, care of Allied prisoners of war, and intelligence activities. Military Government Division A was assigned economics, finance, legal affairs and communications. Military Government Division B was to deal with political affairs, including public safety and welfare, displaced persons, labor and Berlin government.

After approval on 14 November 1944 of the US-British-Soviet agreement setting up the Allied Control Council, USGCC was reorganized with 12 divisions corresponding to the Council's directorates. These divisions and their directors were as follows:

Army (ground):	Brigadier General Henry B. Lewis
Naval:	Vice Admiral R. L. Ghormley
Air:	Major General R. W. Harper

-
1. Stone, loc.cit. See also Carl J. Friedrich, "The Three Phases of Field Operations in Germany, 1945-46," Chapter XI Experiences.

SECRET

Political:	Ambassador Robert D. Murphy
Economic:	Colonel Graeme K. Howard (acting) succeeded on 24 March 1945 by Colonel John R. Gilchrist
Transport:	Brigadier General J. A. Appleton
Finance:	Colonel Bernard Bernstein
Reparations, Deliveries and Restitution:	Lieutenant Colonel C. S. Reid, succeeded on 24 February 45 by Colonel H. C. Newton
Internal Affairs and Communications:	Brigadier General F. C. Meade (acting)
Legal:	Colonel J. B. Marsh
Prisoners of War and Displaced Persons:	Major General John S. Wood (acting)
Manpower:	Lieutenant Colonel David Morse

The Commander of USGCC, Gen Wickersham, had as staff arms a Chief Coordinator of Planning (Brigadier General Bryan Milburn) and an Intelligence Section headed by Colonel Charles C. Blakeney and later by Colonel Theodore J. Koenig. Early in 1945 there were added a Public Relations Service headed by Brigadier General Frank A. Allen and an Information Control Service headed by Brigadier General Robert A. McClure, head of SHA2F's Psychological Warfare Division.

When Gen Clay assumed command of USGCC as Deputy Military Governor, Gen Wickersham became Assistant Deputy Military Governor with Gen Milburn as Chief of Staff. On 29 June 1945, USGCC was reorganized into sixteen divisions and six staff level offices with three Assistant Deputies. This arrangement, however, proved cumbersome and there was a further reorganization on 15 October 1945.

Under the organization scheme of 15 October 1945, Lieutenant General Lucius D. Clay was Deputy Military Governor and Commanding General of OMGUS. The Assistant Deputy Military Governor and Deputy

SECRET

Commanding General was Major General Oliver P. Echols, who had joined USGCC in May 1945. Ambassador Murphy, as Political Advisor, had charge of the Office of Political Affairs consisting of State Department personnel. The position of Admiral Gormley, as Naval advisor and chief of a small naval staff, was analogous. There were Economic, Legal and Finance Advisors who were also directors of the respective divisions.

The Executive Office, headed by Gen Milburn, the Chief of Staff, contained:

The Office of the Secretary General, including the US Secretary in the Allied Control Authority and the Staff Secretary whose office coordinated papers brought before the Deputy Military Governor;

The Control Office, which exercised management, budget, audit, and reporting functions;

The Personnel Office;

The Director of Administrative Services, who supervised business management activities as well as the OMGUS Headquarters Company.

There were four functional offices headed by directors. The Directors of Intelligence, Information Control, and Public Relations, Brigadier Generals G. Bryan Conrad, Robert A. McClure, and Frank A. Allen reported directly to the Deputy Military Governor. The Director of Political Affairs, Donald R. Heath, reported to the Deputy Military Governor through Ambassador Murphy.

The Functional Divisions of OMGUS, as of November 1945 were as follows:

III-37

SECRET

SECRET

Armed Forces Division, Gen Harper, Director. This Division was responsible for Army and Air matters, Naval Affairs being a responsibility of the Naval Advisor.

Economics Division, Brigadier General William H. Draper, Jr., Director, containing branches for Food and Agriculture; Trade and Commerce; Industry; and Reparations, Deliveries and Restitution.

Finance Division, Joseph Dodge, Director.

Transport Division, Colonel John B. Hughes, Director.

Manpower Division, Brigadier General McSherry, Director.

Internal Affairs and Communications Division, Brigadier General F. C. Meade, Director, with branches for Civil Administration, Education and Religious Affairs, Public Health and Welfare, Public Safety, and Communications.

Legal Division, Charles Fahy, Director.

Prisoners of War and Displaced Persons Division, Brigadier General Stanley M. Mickelsen, Director.

Investigation of Cartels and External Assets Division, Colonel Bernard Bernstein, Director. This new Division had been created 12 September 1945, at which time Dodge succeeded Col Bernstein as Director of Finance. It was dissolved 14 December 1945.¹

So long as it existed, the former G-5 Section of USFET, now called the Office for Military Government (US Zone), contained functional

1. History of Office of Military Government for Germany (US), Chapter II, May-Nov 45, OMGUS Control Office, RESTRICTED

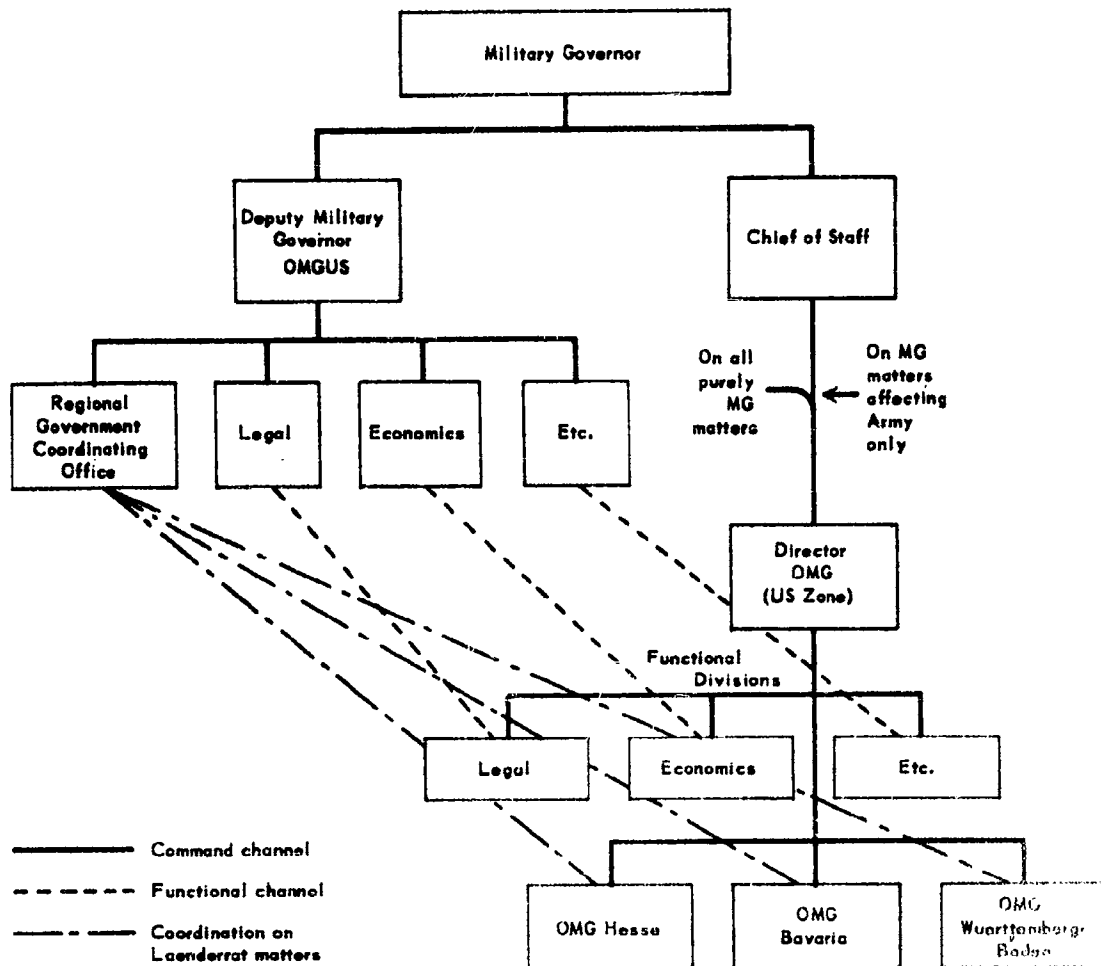
SECRET

divisions corresponding to some (though not all) of those in OMGUS. A further important agency of Military Government was the Regional Government Coordinating Office (RGCO) under the direction of Dr. James K. Pollock, which supervised the activities of the Laenderrat (Council of States of the US Zone) in Stuttgart.¹ The administrative relationships between these offices are illustrated in the chart on the following page.

When the unified structure of Military Government under OMGUS was finally established on 9 March 1946, there was a further reorganization, but of a relatively minor character. Most of the personnel of the Office for Military Government (US Zone) were merged into the corresponding divisions of OMGUS, leaving a small rear echelon in Frankfurt. The organization chart of OMGUS given at this point shows the structure which existed on 15 March 1946 and which continued without substantial change throughout the duration of Military Government. From time to time there were shifts in the functional offices and divisions: During the course of 1946, for instance, the Civil Administration Branch of the Internal Affairs and Communications Division became a division in its own right, and Information Control was made a functional division rather than a functional office. In 1948, economic and financial activities were grouped under the Offices of the Economics and Finance Advisors, each of which had several functional divisions.

1. Heinz Guradze, "The Laenderrat: Landmark of German Reconstruction," Western Political Quarterly, Vol. III, No. 2, Jun 1950, pp 190-213.

SECRET



Military Government Organizational Relationships
as of 1 November 1945

III-39a

SECRET

SECRET

In accordance with the administrative development in the US and British Zones after the bizonal merger of 1946, various officials of OMGUS were detached and assigned to new control organizations. Bizonal control groups were established for the German administrative agencies, the US personnel being assigned by the appropriate functional divisions of OMGUS. Later, when the bizonal agencies were grouped in Frankfurt, additional OMGUS personnel were assigned to the Bipartite Control Office (BICO), in which the control groups were incorporated. In 1948 the control groups were integrated, so that the US personnel became members of unified US/British staffs. After the intensification of the Berlin blockade in late Spring of 1948, parts of OMGUS were moved to the Zone. For a time they remained scattered in various locations, but there was a gradual concentration in and around Frankfurt. By the time OMGUS phased out in 1949, the bulk of its central office personnel were concentrated in the Frankfurt area, with small nuclei of each division remaining in Berlin where the Deputy Military Governor, largely for psychological reasons, retained his headquarters.

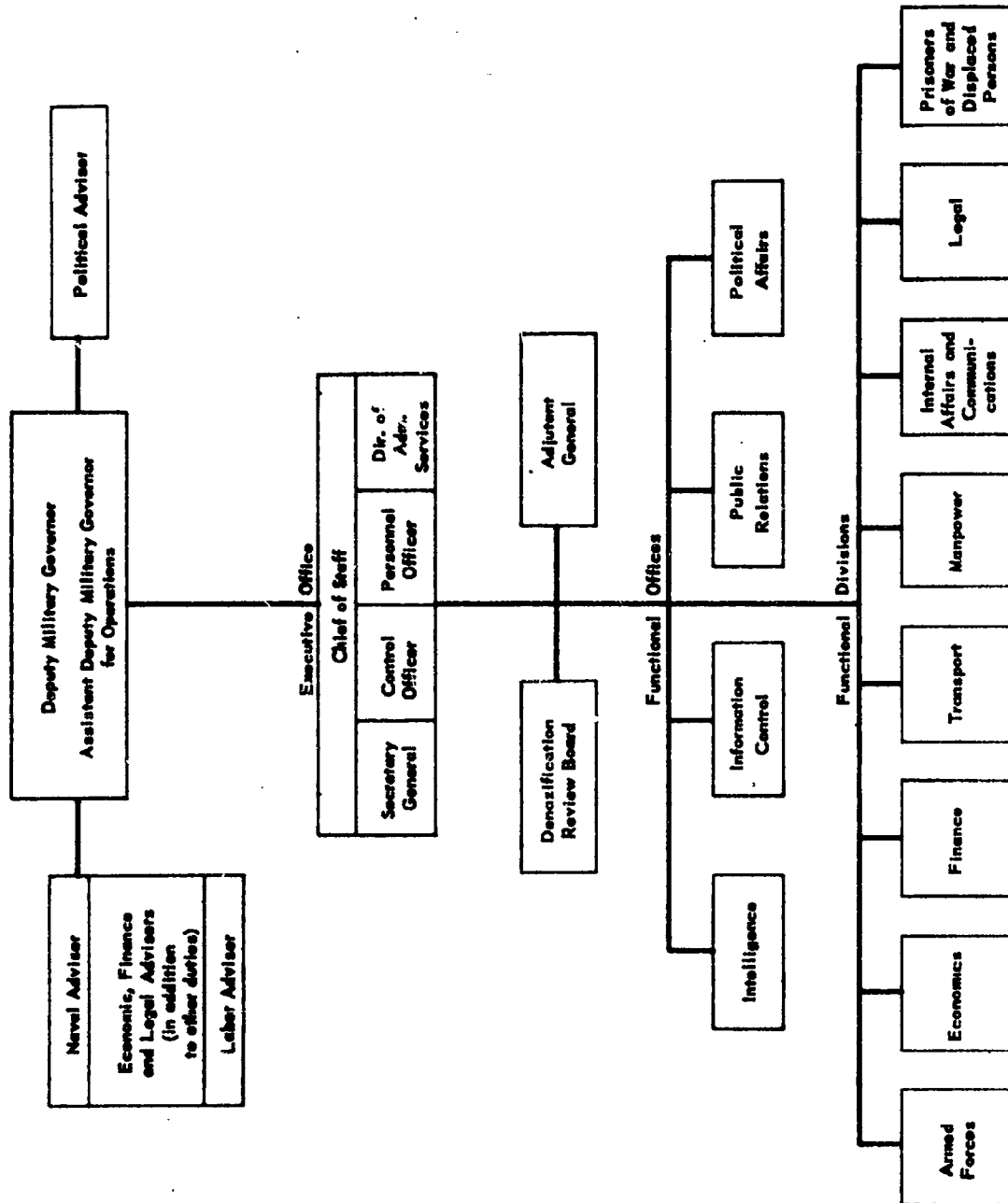
MILITARY GOVERNMENT RELATIONSHIPS WITH OTHER AGENCIES IN THEATER

A perennial problem in connection with the military government of Germany and one certain to arise incident to any future occupation is the administrative relationship between Military Government and civilian missions in the theater. While it was firm doctrine that missions of civilian agencies should be under the control of the theater commander, it was nevertheless recognized that they could have a channel of

III-40

SECRET

SECRET



Office of Military Government for Germany (US)
Berlin

III-40a SECRET

SECRET

technical correspondence with the respective civilian agencies in Washington. Where technical correspondence ends and command or policy correspondence begins is a question which, in the nature of things, will never be settled to every one's satisfaction.

Department of State - Political Advisor

Throughout the history of Military Government, the most important civilian mission in the theater was the State Department mission headed by the Political Advisor and forming the "Office of Political Affairs" within the structure of Military Government. As early as the summer of 1943 there was a significant United States-British dispute over the role of civilian Political Advisors in theater-level military government planning and policy formation. It was the British practice to provide a Theater Commander with a high-ranking Political Advisor who spoke for the Government on political matters. Shortly after General Eisenhower landed in North Africa, a British Advisor of Cabinet rank arrived at his headquarters. The US War Department would have preferred not to have civilian political advisors in the theater, at least not during the combat period. At the first Quebec Conference, a compromise was reached to the effect that there would be civilian political advisors in the theaters, but as observers rather than staff officers. Political decisions would be made at governmental level and transmitted to the Combined Chiefs of Staff, who would forward them to the Theater Commander as approved directives.¹

1. Minutes of War Dept Gen Council, 12 Jul 43 (for full reference see Note 2, p 3) SECRET, and Minutes of COSSAC Staff Conference, 27 Aug 43 (for full reference see Note 2, p 21) CONFIDENTIAL

III-41

SECRET

SECRET

The Civil Affairs Division of the War Department recognized the need for a direct channel of communication between the State Department and the United States Political Advisor (USPOLAD) attached to the Theater Commander.¹

According to Gen Hildring, the opposition to parallel State Department lines of communications came not from the General Staff of the War Department but "from Mr. Stimson and Mr. Patterson in Washington, and from General Clay and General McArthur in the theaters." Whenever the State Department included in its cables to Ambassador Murphy in Berlin instructions which should have been sent through the War Department, Gen Hildring writes, there arose a storm in the War Department. While Gen Hildring was able to "pacify" Secretary Stimson on the matter, Stimson's successor, Patterson, took a stricter view. When, on 17 November 1945 Gen Clay urged by cable the need for a single channel of instructions, Secretary Patterson ordered the suspension of the direct communication line between the State Department and Ambassador Murphy.² The result was a compromise arrangement whereby

1. See Chapter II, pp 2-3, supra.

2. Gen Clay quotes extensively from this cable on p 57 of Decision. In a further cable, CC-20119 of 9 Dec 45, Gen Clay amplified his views stating: "Actually, our position is that Military Governor represents the United States and that channels of recommendations and instructions should be to him. What agency of Government sends them is unimportant providing they come from only one agency. Although you did not agree, our position originally was that Military Governor could receive orders and advice directly from State Department. Political Advisor because of long experience and knowledge furnishes personal not governmental advice." Gen Clay explained

SECRET

instructions would always be sent through the War Department and State Department messages to the Political Advisor were considered as suggestions which the Military Governor did not necessarily have to accept.¹

Another difficulty was presented by the status of the Office of Political Affairs as an integral part of the OMGUS organization, a status not fully compatible with its character as a State Department mission. In addition to conducting "authorized communications with the Department of State,"² USPOLAD was the channel of communication between OMGUS and United States diplomatic missions in countries outside Germany. It was inevitable that USPOLAD should seek to influence the content of messages in accordance with State Department policy which was not necessarily identical with that pursued by OMGUS or the War Department. Furthermore, USPOLAD was assigned direct responsibility for a number of Military Government functions such as "Political Aspects of Denazification Policies," "Policy and Programs for Development and Supervision of German Political Parties," "Supervising. . . the Use and Disposition of the Remnants of the German Foreign Office,"

specifically that there was no jurisdictional dispute between himself and Ambassador Murphy. Source: CAD Numerical Cable File, Dec 45, DRB. CONFIDENTIAL Also Hildring, loc.cit.

1. Decision 57
2. US Military Government Organization Manual, 9 Mar 46 (KCRC), Functions of the Director of Political Affairs, p 42.

III-43

SECRET

SECRET

"Political Vetting before Appointment in the Central German Agencies or as Advisors," and was also charged with participating in various joint undertakings of the Divisions of OMGUS.¹ These activities led to the accumulation of a considerable staff (43 professionals and 47 clericals allocated as of 1 June 1946), and the War Department was at times alarmed lest the Office of Political Affairs expand beyond reason and usurp the functions of OMGUS divisions.² After Civil Administration had been promoted from Branch to Divisional status in OMGUS, it assumed increasing responsibility for the control of German political activities and the Office of the Political Advisor was gradually shorn of its operating functions.

Reparations Mission

Problems of another sort were occasioned by the establishment in 1945 of the United States mission to the Reparation Commission in Moscow, headed by Ambassador Edwin W. Pauley. Although Gen Clay endeavored to comply with the instructions of President Truman that reparations planning in Military Government be coordinated with Ambassador Pauley's organization,³ the delegation of substantial policy-making authority to Ambassador Pauley in an area involving economic operations within Germany

1. Ibid.

2. Ltr, Asst Sec of War John J. McCloy to Gen Clay, 21 Jun 45, para 11: CAD Decimal File 014 Germany, RG-122, DRB. SECRET

3. Cable, War Dept to USGCC, CM OUT 21841, 23 Jun 45, CAD Numerical File, RG-122, DRB. SECRET

III-44

SECRET

SECRET

was bound to cause conflict. After the Ambassador had undertaken to interpret the Potsdam provisions on reparations to Gen Clay, Secretary of War Stimson wrote to Pauley suggesting that: "Where USFET refers policy questions to the US representative on the Allied Commission on Reparations . . . information copies also be sent to the JCS."¹ When the State Department, in appointing a successor to Pauley, authorized him "to review from the policy standpoint for the Department of State any American proposals for removals to be made to the Allied Control Council. . ." Gen Clay objected strongly. The United States Government, he said, should make a clear-cut decision whether OMGUS or the US representative on the Reparations Commission should determine the amount and character of reparations removals.² As a result of this demarche, Gen Clay recovered firm control of theater-level reparations policy. (This story is developed in more detail in Chapter VI, below.)

Other Civilian Missions

While certain missions performing essentially technical functions, such as the Department of Justice mission collecting evidence for use in trials involving sequestered property, were able to avoid major

-
1. Ltr, Edwin W. Pauley, US Member of Allied Reparations Commission, to Gen Clay, 4 Aug 45, WDSCA Decimal File 014 Germany, RG-122, DRB; and Ltr, Sec of War Stimson to the Hon Edwin W. Pauley, 6 Sep 45, WDSCA Decimal File 014 Germany, RG-122, DRB. CONFIDENTIAL
 2. Resume of Meeting at State Dept, 3 Nov 45, Subject: Current Questions in the Military Government of Germany, ASW Decimal File 370.8 Germany, DRB.

III-45

SECRET

SECRET

difficulties in their relations with Military Government, those that came with the idea of fishing in policy waters were politely but firmly snubbed. Among these were the Foreign Economic Administration mission that arrived in Germany in August 1945 to discuss the Technical Industrial Disarmament Committee reports with officials of USGCC and to make plans for a further "external security investigation." Gen Clay indicated that "any FEA program would be too late to be useful and might be embarrassing to our efforts to work out the problems here on the ground."¹ On another occasion, Gen Clay scotched a proposed Technical Intelligence Agency, which proposed to operate outside Military Government channels, by indicating that this agency would have to provide full facilities for its own logistic support. The War Department, Gen Clay commented, had been most helpful in keeping independent agencies out of Germany - he hoped that its success in this respect would continue.²

Experience in the occupation of Germany, as well as the precedent set by Gen Clay, confirmed the traditional American doctrine of the absolute authority of the theater commander, but the price of the confirmation was an unprecedented expansion of the governmental tasks devolving on the military establishment. For the combat phase of

-
1. Ltr, Gen Clay to Asst Sec of War McCloy, 3 Sep 45: OMGUS File "General Clay's Letters," Jun-Nov 45, KCRC.
 2. Cable CL 20113, OMGUS to WARCAD personal for Hildring, CAD Numerical File, RG-122, DRB. SECRET

III-46

SECRET

SECRET

military government, as well as the initial and transitional post-combat phases in which occupation forces are concerned mainly with realizing United States security and in accomplishing political and economic reforms, the doctrine of the theater commander's supremacy may be said to have proved its validity. The occupation of Germany, however, entered a final phase differentiated from previous occupations by the fact that there was no German sovereignty and that the focus of political concern had shifted from Germany to the Soviet Union. Military Government assumed the role of a protector, and to some extent even an advocate, of German interests; it could be said to function as a substitute German Government. In this situation, the question of independent United States missions takes on a new light, as it did in the dispute in July 1948 over whether the Economic Cooperation Administration mission in Germany should be responsible to the ECA Special Representative in Europe, Harriman, or to Military Government. Harriman had logical grounds for arguing that the ECA mission to Germany should be analogous to such missions in other countries. Just as the mission to France would never be a part of the French Government, thus the mission to Germany could not be a part of Military Government. Although the issue was settled by a compromise, the question may still legitimately be asked whether circumstances might not sometimes justify an exception to the rule that all United States mission to an occupied area be administratively responsible to the theater commander. Admission of such exceptions would not necessarily challenge the validity of the general rule.

III-47

SECRET

SECRET

Chapter IV

MAJOR PRE-SURRENDER POLICIES -- FROM

CASABLANCA TO QUEBEC

THE BEGINNINGS OF OCCUPATION POLICY

Factors Inhibiting Development of Firm Occupation Policies

It was difficult enough to begin planning the purely operational side of military government. Creating substantive policies -- stating the ultimate aims of military government -- was immeasurably more difficult. The Army held that the task of military government would be mainly administrative. It expected to receive political policy from the State Department, fiscal policy from the Treasury, and economic policy from whichever agency was assigned that function. Yet fulfilling these needs for policy during the war meant overcoming a psychological hurdle. Since assignment of planning authority would offend those not entrusted with it, and since decisions are objectionable to those who disagree with them, it was much more comfortable to let matters take their course.

In the spring of 1942 Walter Lippmann called on Under Secretary of State Sumner Wells to urge early planning of concrete post-war settlements. Wells writes of this meeting:

"I could only answer that I believed that the President and his Secretary of State were officially committed to a policy of no agreements on territorial adjustments or political settlements until after the war, when they could be dealt with at a peace conference of the United Nations. ... I was naturally not able to say that I was strongly opposed to the position taken on this question by the Administration..."

SECRET

"I was at that very moment studying afresh the records of the Paris Peace Conference of 1919, and I was engrossed in departmental discussions of precisely such territorial and political questions as those Walter Lippmann had raised. The more I read about the negotiations of 1919, the more I was convinced that our wisest course would be to try to work out with our allies now, before V-day, as detailed an agreement as possible. Our armed strength, our material resources, the moral authority of President Roosevelt and, even more, perhaps, our allies' need of us, would give infinitely greater leverage now than we could have after the victory was won."^{1/}

Although the State Department was beginning its studies of post-war political problems and there was considerable sentiment for an international planning commission to deal with major post-war questions, the decision on the highest level was to postpone the settlement of foreseen post-war political and territorial issues. Postponing the settlements meant in practice, though it need not have, postponing much of the planning as well. The military events of 1942 made it clear that winning the war would be a long pull, and the President was inclined to heed the warnings of the Joint Chiefs of Staff that attempting to reach political and territorial settlements then would jeopardize relationships with the Soviet Union. There was genuine fear that Russia might make a separate peace with Hitler. It was also desired, in the interest of national unity, to avoid disputes between ethnic groups in the United States. These and other factors militated in favor of a "policy of having no policy" so that the operational planners for military government were forced to make independent assumptions regarding political objectives.

The reluctance on the part of President Roosevelt to assume active leadership in the development of postwar policy opened the field for competition

^{1/} Seven Decisions, 123,

SECRET

between such centers of policy interest as might assert themselves. For a while, the opportunity to assert leadership was open to the Department of State. On 18 November 1942 the President gave the Secretary of State "full authority over all economic, political and fiscal questions which might develop in liberated territories,"^{1/} a grant that might easily have been extended to cover occupied enemy territories had the leadership of the Department of State been more aggressive. Secretary Hull, however, was not fond of controversial issues. The Department's failure to establish successful coordination of military and civilian agencies interested in civil affairs threw the problem back on the War Department, which was already faced with urgent problems in the North African Theater.

As a result, initial military government policy stressed combat requirements. While the original doctrine of retaining existing laws, customs and institutions of occupied countries was abandoned in favor of "de-fascistization" in Italy, instructions were given not to carry the new policy so far as to break down the Italian administrative machine. Although the rudiments of economic policy made their appearance for the first time, in the 1943 revision of the Field Manual for Military Government (FM 27-5), the content of that policy was limited, in the main, to the support of military operations.^{2/}

Policies with a very different orientation were brewing in various quarters in Washington, but military government officers in the theater knew nothing about them. The protagonists of a "hard peace" were building their positions of strength, but they kept their plans under wraps while waiting for the

1/ Edwin J. Hayward, "Coordination of Military and Civilian Civil Affairs Planning," The Annals of the American Academy of Political and Social Science, Philadelphia, January 1950, pp 19-27

2/ Merle Fainsod, "The Development of the American Military Government Policy During World War II," Chapter II in Experiences. See also p. ~~122-23~~; infra

15-16

SECRET

SECRET

psychological moment to introduce them. The isolation between the operative planners in the War Department and the centers of policy interest to which the topmost officials of the Administration had defaulted their authority limited the points of view of both types of planners. The operating planners in the War Department failed to visualize the problems presented by the total collapse of the Reich and to foresee the strictly political tasks that military government would be expected to accomplish. At the same time a group of civilian planners in the Foreign Economic Administration, the Treasury and Justice Departments, and to some extent in the State Department, were anticipating a total collapse and planning to use it to accomplish a political revolution. They, in turn, failed to appreciate the need for political, economic and social order to which a military government officer must necessarily give his major attention.

As pointed out in Chapter 2, the research staff and the committees of the Department of State were organizationally and technically adequate to produce a studied and detailed policy for the post-war treatment of Germany. The weakness was not administrative but political: unwillingness or inability to make the basic decisions providing a direction to staff planning. The State Department staff produced, and the committees considered, hundreds of research and policy papers. Most of these papers perished by the wayside. The Department did, however, make several major contributions to post-war policy as it actually developed.

Development of a Limited Framework of Policy

The Subcommittee on Security Problems of the Advisory Committee on Post-war Foreign Policy, including representation from the Armed Forces, set the

SECRET

pattern for the unconditional surrender imposed on Germany. Well before the Casablanca Conference, the Subcommittee concluded that the United States could accept only the unconditional surrender of Germany and Japan, but that with Italy negotiation might be possible. Although no formal recommendation was made by the State Department, the chairman of the subcommittee apprised the President of this conclusion before the announcement of unconditional surrender on 26 January 1943.^{1/} Later, the Department furnished guidance to the US representative on the European Advisory Commission, which prepared a surrender document and supplementary terms to be imposed on Germany.

Another State Department recommendation, which became the basis for US policy in international negotiations, concerned settlement for the Soviet-Polish border. A policy summary paper dated 19 May 1943 discusses the possible boundaries. While the Political Subcommittee did not reject the 1939 boundary, it "placed emphasis on the difficulty of securing Soviet consent to it," whereas the Territorial Subcommittee recommended the Riga Line (involving substantial territorial concessions to the USSR) as a starting point for negotiation. Concerning the Curzon Line, which approximates the boundary actually established in 1945, the Political Subcommittee "showed a general willingness to accept the Curzon Line if it proved impossible to secure a boundary more favorable to Poland," while the Territorial Subcommittee "considered the Curzon Line to be the maximum concession that should be made to the Soviet Union after negotiations."^{2/} Thus the principle of permitting a westward expansion of the Soviet Union was established within

^{1/} Preparation, 127

^{2/} "Poland: Soviet Union: Territorial Problems - Polish-Soviet Frontiers," memorandum dated 19 May 1943, reprinted in Preparation, 509-13.

SECRET

the Department of State well in advance of the Teheran Conference at which the first official territorial concessions were made to the USSR.^{1/} This principle led to an inevitable corollary, the "compensation" of Poland at the expense of Germany.

A planning assumption established at an early date was that there would be an interregnum in Germany following defeat of the National Socialists. Hajo Holborn notes that Washington military government planners considered it "always academic to discuss anything other than complete Allied administration, since it was improbable that any government in Germany supplanting the Nazis would command the support of the Germans on a national scale."^{2/} The "unconditional surrender" doctrine enunciated at Casablanca was also felt to rule out making peace with a military regime that might possibly overthrow the Hitler government. A similar view was held in the British Government. As the British political adviser to COSSAC stated in September 1943, the Foreign Office considered "that there should be a complete occupation of the whole of Germany, and that no central government should be recognized there for about two years."^{3/}

Except insofar as outright dismemberment of Germany was considered, the elimination of a German central government with authoritative powers did not preclude the existence of German central administrations charged with specific functions. The European Advisory Commission, although committed to the division of Germany into three zones of occupation as agreed at Teheran, based its deliberations on the assumption that there would be German central administrative organs supervised by the Allied Council, an assumption which the commission

^{1/} Winston S. Churchill, Closing the Ring, Boston 1951, pp. 363-98; H. Peter Stern, The Struggle for Poland, Washington 1953, p. 27.

^{2/} MIL Gov p. 1

^{3/} Minutes of COSSAC Staff Conference, 17 Sept 43, SHAEF SGS File 337/14, RG 910, DRB, CONFIDENTIAL

SECRET

incorporated in a provision of the Agreement on Control Machinery in Germany reached on 14 November 1944.^{1/} Allied political officials in London may at times have leaned toward the view that a successor Central German Government would or should be recognized.^{2/} The official view in Washington, as expressed by the Secretaries of War and Navy in concurring with the 14 November 1944 agreement sent them by the Secretary of State, was that:

- (1) the United States does not consider it probable that a German or other central authority will exist at, or for some time after, surrender, and
- (2) planning should assume that the Allied Control Council will determine what central administration or administrative structures in Germany will be permitted or required.^{3/}

The development of United States policy toward the postwar dismemberment of Germany furnishes a striking illustration of the way in which experts at the technical level can delay, frustrate, and ultimately reverse the objectives of their superiors with results that may be beneficial. Although under Secretary of State Sumner Wells favored the partition of Germany into three states,^{4/} the Department as a whole opposed this policy consistently. The policy summary on "Germany: Partition" completed in August 1943 and stating the results of committee deliberations, gave arguments on both sides but made it clear that the

^{1/} Agreement on Control Machinery in Germany, approved by EAC 14 Nov 44, as cited in "Historical Summary of the Agreement and Events which preceded the 1st Meeting of the Allied Control Council," unpublished paper in files of OMGUS Historian, KCRC.

^{2/} Annotated cables on negotiations in EAC on reparations, 11-30 Nov 44, ASW Decimal file 370.8 Germany (Long Term Policies file) DRB. SECRET

^{3/} Condensed from ltr, Secretaries of War and Navy to Sec of State, 27 Dec 44, WDSA Decimal File 091 Germany, RG 122, DRB. SECRET

^{4/} Sumner Welles, Time for Decision, N.Y. 1944, pp. 336-364.

SECRET

weight of evidence was against a forcible division of the German Reich. The paper indicated that partition would not take root but would engender bitter hostility, jeopardizing eventual German reconciliation with the peace settlement and the ultimate assimilation of Germany into the society of law-abiding nations. It would result in economic confusion and distress followed by a lowered standard of living not only for Germany but also for the rest of Europe.^{1/}

Although partition of Germany was discussed at the first Quebec Conference and was favored both by British Foreign Secretary Eden and by President Roosevelt, it did not become official policy. While the President advocated partition on 5 October 1943 before Secretary Hull's departure for the first Three Power Conference at Moscow, the United States delegation there did not advocate it. At the 25 October session, Hull noted that dismemberment had found favor in "high quarters" in the U.S. Government, but that experts on German matters were extremely sceptical of its practicability. Both Eden and Molotov stated that the same situation prevailed in their own governments. The matter was then referred to the European Advisory Commission, which postponed action for more than a year: A Committee on Dismemberment finally established in March 1945 never reached conclusive results.^{2/} The further development of State Department policy on dismemberment of Germany, as described by Philip E. Mosely, was in substance as follows:

^{1/} "Germany: Partition," a policy memorandum based on an "H-document" for briefing Sec Hull in connection with the first Quebec Conference, 17 Aug 1943, reprinted in Preparation 554-557.

^{2/} Philip E. Mosely, "Dismemberment of Germany, the Allied Negotiations from Yalta to Potsdam," Foreign Affairs, Vol. 28, No. 3, April 1950, pp. 487-98.

SECRET

During the winter 1943-44, an interdivisional committee of the Department of State made an intensive study, its conclusions being discussed in May 1944 by the Department's Postwar Programs Committee, presided over by Under Secretary Stettinius. The resulting basic memorandum on Germany was approved by Secretary Hull in July. While this memorandum welcomed decentralization of the German State on a federal basis, it pointed out that forcible dismemberment would rule out development of democratic institutions since any such institutions would strive to restore German national unity. Furthermore, a dismembered Germany could not become economically viable. The memorandum further predicted that partition would lead to the separate states' falling under the control of outside Great Powers which would bid for German support by promising to work for the re-unification of Germany. Since it had already been decided to divide Germany into Zones of Occupation, there was real danger that this would lead to de facto partition unless the Allies could agree during the war on a joint policy for treating defeated Germany. The US should therefore support efforts to create an Allied Control Council, giving this Council the firm basis of agreed policies and directives.

The policy summarized in the memorandum of July 1944 was only that of the Department of State, not that of the United States Government. It collided head-on with the Morgenthau Plan, which included a provision for dismemberment, to be enforced by Germany's neighbors. Yet, although the dismemberment of Germany was agreed in principle at Yalta^{2/} and was actually official tripartite policy from February until May 1945, the policy recommended by the State Department for treating defeated Germany as a unit on the basis of agreed policies and directives was the policy actually placed in effect at the time of surrender and confirmed in the Potsdam Declaration of August 1945.

Economic and Political Recommendations of the State Department

Between 1942 and 1944 the Department of State laid the ground for a moderate political and economic policy in Germany. The Departmental Committee on

^{1/} Condensed paraphrase from Mosely, loc. cit.

^{2/} Protocol of Proceedings: The Crimean (Yalta) Conference, Feb 4-11, 45, Part III; "Dismemberment of Germany," reprinted in Docada, 30-34.

SECRET

Germany summarized the recommendations of the Department in a memorandum dated 23 September 1943, from which the following excerpts are taken:

The Departmental Committee on Germany unanimously recommends that the United States Government oppose the enforced break-up of Germany as part of the peace settlement.

... The committee is of the opinion that, in the long run, the most desirable form of government for Germany would be a broadly-based democracy operating under a bill of rights to protect the civil and political liberties of the individual.

The committee is under no illusions as to the difficulties in the way of creating an effective democracy in Germany. It suggests that there are three conditions under which a new democratic experiment might survive:

1. A tolerable standard of living.
2. A minimum of bitterness against the peace terms in order, insofar as possible, to avoid an appealing program for future nationalistic upheavals at home and disturbances abroad. The Committee is aware that the occupation and the permanent security controls which it deems imperative will give offense to many Germans, but it recommends, because of the importance of ultimate German reconciliation with the minimum in number and in severity which will be compatible with security.
3. A harmony of policy between the British and the American Governments on the one hand and the Soviet Government on the other. In case of frictions Germany would be in a position to hold the balance of power...

The Committee therefore recommends that the United States Government adopt, in the interest of fostering moderate governments in Germany, the principle of a program looking to the economic recovery of Germany, to the earliest possible reconciliation of German people with the peace, and to the assimilation of Germany, as soon as would be compatible with security considerations, into the projected international order. The Committee further recommends that the Soviet Government be invited to give its support to a new democratic experiment and to the principles of the suggested program.^{1/}

The memorandum goes on to criticize the failure of the US and British Governments to announce their support of future German democracy, particularly in view of the sponsorship of the Free Germany Committee by the Soviet Union. It

^{1/} "The Political Reorganization of German," interdivisional country committee policy recommendation dated 23 Sept 43, reprinted in Preparation, 558-60

SECRET

advocates reorganization of the German Government according to the federal principle, but warns against forcing decentralization so far as to make centralism a national issue or to incapacitate the German Government for meeting its social and economic responsibilities.

The general trend of State Department policy remained substantially the same throughout 1943 and the first part of 1944. A document entitled "The Treatment of Germany," originated by the Departmental Committee on Germany and revised by the Committee on Post-War Programs between 11 and 31 May 1944 states that the basic long-term interest of the United States in Germany is to prevent that country from disturbing the peace. To coerce indefinitely more than 60 million technically advanced people, however, would be both expensive and ineffective. The best and least expensive guarantee of security would be Germany's repudiation of militaristic ambitions and assimilation, as an equal partner, into a cooperative world society. This document included the following statement on "democracy";

Since the peace maintained only by the continuous coercion of Germany would be a precarious and expensive one at best, it must be an objective of the US to promote in Germany the largest degree possible of internal stability based on free institutions, on the psychological disarmament of the German people and on tolerable economic conditions.

The most plausible hope for lasting political reconstruction and orderly development lies in the establishment of democratic government despite serious difficulties facing such an attempt. It is, therefore, recommended that the aim of American policy should be to prepare the German people for self-government as early as it may be compatible with the operation of security controls over Germany and with the functioning of a general system of international security. ^{1/}

1/ "The Treatment of Germany," document PSC-141a, 21 Apr 44, CCAC Decimal File 014 Germany, Section II, RG 999 (Temporary) DRB. Page 24 of this document has the following notation: "Original draft (CAG-143b) prepared and reviewed by the Inter-divisional Committee on Germany. Reviewed and revised by the Committee on Post-War Programs at meetings of May 11, 12, 18, 19, 25, 31." SECRET

SECRET

In view of the unsatisfactory experience with the Treaty of Versailles, the Committee on Post-War Programs recommended that "war guilt" clause be omitted from the peace treaty with Germany.

A similar philosophy was reflected in a document entitled "General Objectives of United States Economic Policy with respect to Germany," which was prepared in the State Department and approved by the Working Security Committee of the State, War and Navy Departments on 24 February 1944. This paper urged as a major objective of US economic policy: "To bring about a fundamental change in the organization and conduct of German economic life which will, in time, integrate Germany into the type of world economy envisaged in the Atlantic Charter." To accomplish this, German industrial plants capable of peacetime uses should be not dismantled but converted. Although this policy fell into eclipse in later summer 1944, it incorporated the basic principles which the United States, after a period of trial and error, was ultimately to adopt as American postwar policy respecting Germany.

Emergency of the "Hard Peace" School

As mentioned earlier, the policy initiative taken by the Department of State was challenged by other agencies. The Advisory Committee on Postwar Foreign Policy, an interdepartmental body founded early in 1942 to coordinate economic planning under State Department guidance, acquired so many members that it became unwieldy and sterile. Vice-President Wallace induced President Roosevelt to recognize officially the claim of the newly-created Board of Economic Warfare to determine postwar American economic policy.^{1/}

^{1/} Seven Decisions, 182-83

SECRET

The resulting impasse produced a complete stoppage of the work of sub-committees of the Committee on Post-War Economic Policy. The State Department did not feel able to recommend postwar political settlements when another agency, with what Welles describes as "quite opposite views," was determining economic policy. The conflict between the Department of State and the Board of Economic Warfare continued as long as the latter existed.

The abolition of the BEW and assumption of its functions on 15 July 1943 by the Office of Economic Warfare (merged with other agencies into the Foreign Economic Administration on 25 September 1943) eased the conflict temporarily because Mr. Leo T. Crowley, Director of the OEW (and later Administrator of the FEA) was required to conduct his activities "in conformity with the established foreign policy of the Government of the United States as determined by the Department of State."^{1/}

The Foreign Economic Administration, however, continuing a project initiated in the Board of Economic Warfare with personnel taken over from the Board, undertook to develop its own economic policy for Germany. The basic feature of this plan was the limitation of industrial production and the removal of "excess capacity". About the same time, decartelization studies were being pursued in the Department of Justice. The Economic Warfare Section of the Anti-Trust Division, which conducted these studies, was established as the result of a conference early in 1942 between Milo Perkins, Executive Director of the Board of Economic Warfare, and Thurman Arnold, Assistant Attorney-General. The orientation of the Economic Warfare Section, directed by James Stewart Martin, Special Assistant to the Attorney-General, was close to that of some officials in the Enemy Branch of the Foreign Economic Administration. Both agencies contributed to a policy, the

^{1/} Records, 636.

SECRET

objective of which was the destruction, transformation, or strict control of the German industrial economy, and undertook to buttress this policy by extensive research. ^{1/}

The scope and depth of the effort expended in developing and justifying this policy is illustrated retrospectively by an official report of the Foreign Economic Administration, giving the background of the Technical Industrial Disarmament Studies initiated in March, 1945. The report states:

"For 3 years or more before the undertaking of the studies on technical industrial disarmament, the FEA and its predecessor agency, the Board of Economic Warfare, had been engaged in studies of the German economy, of its war potential, and of measures to be taken in occupied Germany including those particularly designed to denasify the German economy and economic institutions. Through the Blockade Division of the former Special Areas Branch many studies had been made concerning German economic interests and penetration in neutral countries, and concerning German industry, war production, and general economic conditions for the military intelligence agencies of the Government and others. The Economics Institutions Staff of the former Liberated Areas Branch had produced a long series of studies for the civil affairs guide program of the Army. The FEA prepared a sizeable proportion of the civil affairs guides and information reports published by the War Department. The Intelligence Division of the Special Areas Branch had maintained active field agents in the various theaters of operations, and had procured intelligence on the German economy comprising a file of about 100,000 documents, all of which had been circulated to the staff and cataloged for reference. In the aggregate, 200 persons had been engaged in this work and more than a thousand reports relating to the German economy were produced. This personnel was assigned to the new Enemy Branch and brought with them their accumulated knowledge and experience." ^{2/}

The theoretical basis of the policy research conducted by the Foreign Economic Administration was expressed in the same report as follows:

The economy of Germany shall be directed, controlled, and administered in such a way as to eliminate or control all German industry that could be used for

^{1/} James Stewart Martin, All Honorable Men, Boston, 1950, passim.

^{2/} 79th Congress, 2nd Session, Subcommittee Monograph No. 6, A Program for German Economic and Industrial Disarmament, Study submitted by the FEA (Enemy Branch) to the Subcommittee on War Mobilization of the Committee on Military Affairs, United States Senate, Washington, 1946, pp. 447-48.

SECRET

SECRET

military production ... in case of any conflict in objectives, the elimination or control of Germany's war-making power shall take precedence over all other considerations.^{1/}

Explaining this policy before the Kilgore Committee, Director Henry H. Fowler of the FEA Enemy Branch pointed out that: "The decisive factor in modern war is the industrial plant as a whole, rather than merely that sector having a special military character."

Spearheaded by groups in the Foreign Economic Administration and the Department of Justice, to be joined later at the critical time by like-minded officials in the Treasury, the White House, the Office of Strategic Services and finally even in the War and State Departments, the advocates of a sternly restrictive economic policy for Germany made haste slowly. The records indicate that until 1944 the United States Government did not yet have an official policy calling for the general dismantling or restriction of German industry.

Policy Development in the War Department

The Morgenthau Plan was in no way presaged by the 1943 edition of Field Manual 27-5, Military Government. The manual's section on economic policy reads as follows:

"(a) The basic economic policy of the United States CA/MG is

- "1. To revive and stimulate the economy in the area in order to reduce to a minimum the needs of the occupied area for United States and Allied assistance.
- "2. To develop the area as a source of supply for further operations and to use available goods and services for the satisfaction of immediate military and civilian needs.

1/ Ibid., pp. 436

SECRET

"(b) To accomplish the objectives stated in (2) above, the following will be necessary:

- "1. Equitable distribution of food, fuel, medicine and clothing.
- "2. Re-establishment and control of the essential industries, public utilities, transportation, communications, and trade.
- "3. Institution of control over prices, the domestic flow of goods, imports and exports, money and banking.
- "4. Institution or continuance of a rationing system and other forms of control to suppress black market activities.

"(c) Decisions must be made as to what types of economic activity are most important and surveys will be made to determine what usable facilities and undeveloped resources are available. Normally plans will be made for the rehabilitation of agencies for the resumption of essential output in agriculture, manufacturing, mining, forestry, fishing, and in the service trades ..." (The manual goes on to suggest specific measures for accomplishing these objectives.)^{1/}

When the Civil Affairs Division in the War Department was established in March 1943, its Economic Group was forced by military necessity to give primary attention to North Africa, and Germany was for the time being relegated to secondary consideration. Although liaison was quickly established between this Division and the State Department, Lend Lease, the Board of Economic Warfare and the Treasury Department, the channels were overloaded with disputes concerning what civilian personnel would be permitted in the theater and what authority the theater commander should have to control their operations.^{2/} These conflicts lasted until June 1943 when the President directed the Secretary of State to designate an Assistant Secretary to coordinate the overseas activities of economic agencies to assure that they would operate in military zones under the military commander.

^{1/} War Department Basic Field Manual FM 27-5, Military Government, 1943 Edition, para 9c(5), (a)-(c). The same text appears with minor changes in the 1947 Edition.
^{2/} Minutes, Meeting of War Department General Council, 17 Mar 43, RG 110, DRB.
SECRET

SECRET

The economic policies advocated by the Board of Economic Warfare had not achieved such acceptance in the War Department during the life of the Board as would have led to their transmission to the theater commander. The minutes of a GOSSAC Staff Conference of 17 September 1943 indicate that at that time the Combined Command in Europe was not informed of reparations policies being developed in Washington. The GOSSAC mentioned that the Russians were thinking of removing heavy machinery from Germany in order to reconstitute industry in their own country; if this proposal was carried out it would be likely that we should have to cope with heavy German unemployment.^{1/}

While the replacement of BEW by FEA and the appointment of Leo Crowley as Administrator of the latter undoubtedly led to improved liaison with the War Department, it is also evident that as of February 1944 the War Department had accepted the principle of reparations only for the purpose of compensating physical damage and not - as was contemplated by FEA - for its own sake as a measure of "military security." A planning memorandum of that date from the Office of the Assistant Secretary of War recommends the principle "that it is the duty of Germany to provide reparations for the physical damage inflicted by its Armed Forces upon the USSR and other Allied and occupied countries..." Economic disarmament, however, would be limited to the dismantling of arms manufacturing facilities and the prohibition of military production including all types of aircraft.^{2/}

^{1/} Minutes of GOSSAC Staff Conference, 17 Sept 43, RG 910 338/14, DRB.

CONFIDENTIAL

^{2/} Memorandum, "The Treatment of Germany," Feb 44, Assistant Secretary of War Decimal File 370.8 Germany, DRB. SECRET

SECRET

SECRET
OPERATIONAL PLANNING FOR MILITARY GOVERNMENT

Status of Government-Level Planning in 1943 and 1944

In the meantime, the War Department was engaged in operational planning for military government, with the British and also unilaterally. Combined military government planning was a function of the Combined Civil Affairs Committee subordinate to the Combined Chiefs of Staff. CCAC was expected to recommend to CCS general and supply policies for enemy areas, to take responsibility for "broad civil affairs, planning and direction in Washington of Civil Affairs problems presented to the Combined Chiefs of Staff by the Theater Commander" and also to coordinate the operations of military and civilian agencies.^{1/}

Unilateral planning centered in the Civil Affairs Division, which by July 1944 had produced a Civil Affairs Handbook in three parts and had coordinated a series of more than one hundred specialized handbooks. The latter ranged from "General Principles for the Dissolution of the Nazi Party and the Elimination of Nazis" and "Policy Towards the Revival of Old Parties and Establishment of New Parties" to "Sickness Insurance in Germany," "Natural Resources" and even "Leather and Footwear in Germany."

The administrative theory asserted authoritatively throughout the course of military government distinguished between basic economic and political policy (including coordination of civilian interests) and operational planning. The first was a function of the State Department, the second of the Army. Although the separation of levels of planning was implicit in formal relationships between the State and War Departments, it was disturbed by developments within the War Department and by the claims of the Treasury Department and the Foreign Economic

^{1/} Charter for the CCAC, CCS 190/T/D, 29 Jan 44, CAD Decimal File 334 CCAC, RG 122, DRB, RESTRICTED

SECRET

administration competing with State for a share if not the dominant influence in policy-making.

Since the line between policy and operations refused to say clear, the Civil Affairs Division tended to demand and assume an increasing share of authority in policy questions. As General Hilldring stated in a meeting of the War Department General Council on 31 May 1943, CAD during its first weeks had made a major effort to convince the State Department of the primacy of the War Department in questions of military government.^{1/} Commenting some years later, the General wrote that "The War Department had much to do with creating the political and economic policy of the United States with respect to the countries we liberated and conquered."^{2/}

The main channel for policy coordination between the Departments of War and State was the Working Security Committee. According to Gen. Hilldring, this committee was on too low a level to speak with authority. Its effectiveness was hampered by a divergence of State and War Department views: the State Department members considered that the close of hostilities would usher in a period in which political policy would predominate, while the War Department General Staff had decided that the immediate post-surrender period would be devoted mainly to security questions such as disarmament of the enemy, disposition of American forces and assurance of public safety. As a result, the Committee fulfilled only

^{1/} Minutes of the meeting of the War Department General Council, 31 May 43, Summary of Gen Hilldring's remarks, RG 110, DRB. SECRET

^{2/} Ltr, Gen. Hilldring to Dr. Kent Roberts Greenfield, Chief Historian, OCMH, "Weinberg Files," 7 Aug 50.

SECRET

partially its function of developing instructions to be sent through the State Department to the US representative on the European Advisory Commission in London.^{1/}

The role of the War Department in the development of military government policy was thus acquired to a large extent by default. As Gen. Hilldring explains:

"First there was no organization in Washington capable of hammering out these policies and decisions except the War Department. There wasn't even a clear and lasting decision as to what civilian departments and agencies of the government should participate in the making of policy. The Treasury Department and the Foreign Economic Administration insisted that they must be included in the machinery of policy making on equality with the Department of State, and they never failed to assert that they had Presidential support for their claim. The status that these two institutions claimed for themselves was never accepted by the State Department, which maintained from beginning to end that the State Department alone among the civilian departments and agencies was responsible for policy without our borders, and that it was necessary only to consult other civilian agencies of government when the State Department felt the need for technical advice. This bitter and troublesome controversy was never resolved.^{2/}

Gen Hilldring diagnoses the difficulty as the result of defective organization in the State Department. As indicated elsewhere, however, the difficulty was not administrative but political. Professional training and administrative management could not compensate for inadequate policy leadership.

Before the summer of 1944 not many specific policies for Germany were developed at government level. There were, of course, various international declarations such as those made at Casablanca, Quebec and Teheran as well as the Moscow Declaration of German Atrocities, but these were of a general nature and not easily applicable to specific problems. Where concrete decisions were

^{1/} Philip Mosely, loc.cit., also ltr, Gen Hilldring to Mr. Dale Noble of the Brookings Institution, 29 Nov 50, in which Gen Hilldring comments on the Mosely article. Gen Hilldring indicates that it was the function not of the Working Security Committee but of the State Department to furnish guidance to the US representative of the EAC and that Ambassador Winant never complained of inadequacy of guidance from that Department. See, however, the comment of Major McLean in July 1944, quoted above in Chapter II at note 1, page 19.

^{2/} Ltr, Gen John H. Hilldring (Former Director of Civil Affairs Division) to Dr. Kent Roberts Greenfield, Chief Historian, OCMH, 7 Aug 50, p. 5. Source: OCMH, CA, File 70, Drawer 3.

SECRET

SECRET

made, they were frequently kept under such tight security as to make them unavailable for guidance in the field. The result was a policy vacuum in the very areas in which the theater expected and was entitled to guidance. The effect on this vacuum is illustrated in Professor Holborn's remark about SCAEF, quoted in Chapter II above.^{1/}

The Basic Pre-Surrender Directives

Early in 1944, the Combined Civil Affairs Committee undertook the preparation of a general directive for military government operations in Germany prior to surrender. This directive was to be issued by CCS to SCAEF, and would state the policies to be followed up to the date of final German capitulation. It was hoped that an analogous post-surrender directive could be negotiated in the EAC and agreed by the United States, the UK, and the USSR for application to Germany as a whole.

The pre-surrender directive for Germany was completed by CCAC in April 1944 and approved by CCS late that month. It was assigned the number CCS-551 and its full title was "Directive to the Supreme Commander for Military Government in Germany Prior to Defeat or Surrender." The Secretariat of CCS forwarded the Directive to Gen Eisenhower on 28 April 1944.^{2/}

Directive CCS-551, by its own terms, was limited to the pre-defeat period and was provisional in nature, being subject to alteration as recommended by the European Advisory Commission with regard to the post-surrender period. The

^{1/} Mil Gov, 33-34

^{2/} Cables, CM-OUT 21931 of 12 Apr 44 and CM-OUT 22653 of 15 Apr 44 from WD to SCAEF, CAD Numerical File, DRB. SECRET Also, Memo, Secretariat of Combined Chiefs of Staff to Supreme Commander, Allied Expeditionary Forces, 28 Apr 44, transmitting Pre-Surrender Directive, ASW Decimal File 370.8 Germany, DRB. CONFIDENTIAL (downgraded from TS)

SECRET

authority for military government was defined in Article II, which stated that SCAEF's rights in Germany "prior to unconditional surrender or German defeat will be those of an Occupying Force."

The general objectives of pre-surrender occupation were indicated in Article I of the Political Directive attached to CCS-551 as follows:

"1. The administration shall be firm. It will at the same time be just and humane with respect to the civilian population so far as consistent with strict military requirements. You will strongly discourage fraternization between Allied troops and the German officials and population. It should be made clear to the local population that Military Occupation is intended: (1) to aid military operations; (2) to destroy Nazism-Fascism and the Nazi Hierarchy; (3) to maintain and preserve law and order; and (4) to restore normal conditions among the civilian population as soon as possible, insofar as such conditions will not interfere with military operations."^{1/}

The denazification provisions provided for the arrest of Adolf Hitler, his chief Nazi associates and persons suspected of having committed war crimes, and for the internment of heads of ministries and other high political functionaries including German administrators of occupied territories. It did not contemplate the wholesale arrest of NSDAP officials or members generally, nor of members of Nazi Party organizations. The Directive went on to order dissolution of the Nazi Party and suspension of its organizations "except those which you may require to continue to function for administrative convenience." Only "high" Party officials were to be arrested. Nazi laws would be abrogated and the German courts suspended, purged and then reopened under Allied supervision. CCS-551 contained no provision for the denazification of non-governmental activities, such as industry, banking and commerce.

The political Directive prescribed military government through indirect rule, the principal link being at the Regierungsbezirk or Kreis level. Controls

^{1/} Memo, "Analysis of CCS-551 (pre-defeat directive for Germany), 20 Oct 44, ASW Decimal File 370.8 Germany (Interim Directive File), DRB. SECRET

SECRET

SECRET

at higher level would be inserted at the discretion of the Theater Commander. No actual appointment of Germans to important posts was to be made until approved by the Combined Chiefs of Staff and no members of the Nazi hierarchy nor permanent members of the German General Staff would be permitted to occupy such positions. There was a blanket prohibition against political activity including the sentence: "German political leaders in exile shall have no part in the administration."^{1/}

The economic guide to the Pre-Defeat Directive, known under the number CCS-551/2, directed SCAEF to assure maximum production, collection and distribution of food and food products, including provision of necessary labor and transport for that purpose. German authorities were to be instructed to restore utilities and to maintain coal mines in working condition and in full operation so far as transport might permit. The Commander was given responsibility for procuring goods and materials for export and to this end was directed to control and maintain in a full state of efficiency German transport and communication, to set up export-import controls and to maintain price, wage and rationing controls. Black market activities and hoarding were to be punished and all steps were to be taken to prevent inflation. In general, the Commander was expected to accomplish economic objectives through the existing German administration, which would have been purged of major Nazis and members of the Nazi hierarchy occupying "important" positions.

^{1/} This provision reflects a doctrine incorporated in the Directives for the combat-phase Military Government of Sicily and repeated in the revised Field Manual, FM 27-5 of 22 December 1943. The manual undertakes to forbid political activities of any sort including that of the released former victims of dictatorship. It prohibits local personalities or political groups, "however sound in sentiment," from having any part in determining the policies of Military Government.

SECRET

While certain features of CCS-551, such as the blanket prohibition of political activity, were of a specific pre-surrender nature, the directive contained strong implications of post-surrender policy. From a long-range point of view, its most significant features were limitation of denazification to a small group of leading Nazis and assumption by Military Government of some positive responsibility for operation and revival of the German economy.

EVENTS LEADING TO THE MORGENTHAU PLAN

The "Handbook Dispute"

The German Country Unit of SHAEF moved from London to Shrivenham in April 1944. During its stay there, which lasted until June of the same year, it was organized in Divisions corresponding to the German ministries and it produced the Basic Handbook for Military Government of Germany. It was assumed that the occupation zones would be for garrison purpose only and that Allied administration of Germany would be joint and centralized. Preparations were made for the expected arrival of Soviet military government officers to join their British and American colleagues.^{1/}

The SHAEF Handbook was a product of theater-level planning with little or no guidance from Washington. The almost total absence of governmental-level policy available to the writers of the Handbook was reflected in a memorandum sent to the Combined Chiefs of Staff on 10 February 1944 by Lieutenant General Walter Bedell Smith, Chief of Staff of SHAEF. This memorandum asked for directives answering the following questions:

^{1/} Dale Clark, "Conflict over Planning at Staff Headquarters," Chapter X in Experiences.

SECRET

SECRET

Is Austria to be independent, and if so is its occupational control to differ from that imposed on the Ruhr?

If dismemberment is to take place, can it be planned in time to be effective - aided by disruptive propaganda - from the earliest stages of the occupation?

Will any central German government in existence be recognized or permitted to exercise economic control? If not, what Allied body will exercise such control? /SHAEF considered that such control was essential and that the Control Commission should impose an economic plan on Germany as soon as possible./

What degree of barrier will be represented by the zonal boundary between the Anglo-American and Russian Zones:

- a. Will messages from the ministries, if functioning, be readily transmissible across the border?
- b. Will food pass freely across the border?
- c. Will major aspects of economic life such as transportation and power involve two central administrations (US/UK and USSR) or a single combined US/UK/USSR administration?

What is to be the planned economy for Germany? Is the corporative theory of industry to be maintained, possibly on a temporary or pragmatic basis? /It was held that there were strong arguments for retention, at least for a time, of the corporative pattern in spite of its Fascist ideology./

What are the policies on industrial production and avoidance of unemployment?

Is the present centralized police system to be retrained?

Gen Smith's questions remained unanswered. "Since the questions raised in the SHAEF memorandum are under consideration by the governments concerned," wrote the Director of the Civil Affairs Division, "no further action on issuance of directives to SHAEF is necessary at this time." Upon Gen Hilldring's recommendation, a cable was sent to SHAEF stating merely that the matter he had raised were under consideration by the European Advisory Commission.^{1/} The

^{1/} SHAEF Memo and Recommendation for Action, CCAC 69, 10-27 February 1944, ASW, Decimal File 370.8, Germany, DRB. SECRET

SECRET

upshot was that the questions remained unanswered on governmental level, so that SHAEF had to develop the Handbook on its own devices.

The resulting situation left the US side of SHAEF at somewhat of a disadvantage vis-a-vis. the British side. Although the War Department was rather scrupulous in refusing to make policy pronouncements on matters of Combined concern, the British War Office was not so queamish about protocol. Furthermore, since SHAEF was physically located in England, the opportunities for informal contact between officers in theater headquarters and the British Ministries were correspondingly greater than the possibilities for Washington-theater contact. It was quite natural, therefore, that the SHAEF Handbook should reflect British influence.^{1/}

In late August 1944 the fourth draft of the SHAEF Handbook was given limited distribution in provisional form, with the expectation that further revisions, particularly in the sections on "policy," might be forthcoming. In the meantime, however, Colonel Bernard Bernstein, a Treasury official serving in SHAEF (later Chief of the Finance Division of USGCC), had given a copy of the Handbook, out of channels, to Secretary of the Treasury Morgenthau during the latter's visit to Europe.^{2/}

As Secretary Morgenthau later commented in an article, he considered that SHAEF plans "placed too great a share of the responsibility for rehabilitating Germany on the occupying forces rather than on the German people themselves."

^{1/} A discussion of content is omitted here; extensive selections from the Handbook are given in President Roosevelt's memorandum quoted in full below.

^{2/} Minutes of SHAEF Weekly G-5 Staff Conference, 16 August 1944, SHAEF/G-5/3573, RG 910, DRB, CONFIDENTIAL (downgraded from TS); Cable from SHAEF to WD for Hill-dring personal, CM-IN 25357 of 26 December 1944, CAD Numerical File, RG 122, DRB, SECRET

SECRET

The Handbook, in his opinion, lacked emphasis on destroying Nazi influence and German industrial potential for war. Furthermore, the Secretary felt, SHAEF had undertaken to decide on the Technical military level, issues of national policy which should have been decided on Government level.^{1/}

Upon his return to Washington, Secretary Morgenthau took the Handbook personally to President Roosevelt. What Mr. Morgenthau said to the President is not on record. It is evident, however, that Roosevelt erupted violently, as indicated by the following memorandum which he wrote to Secretary Stimson and which because of its important impact on policy is quoted in full.

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR

August 26, 1944

THE SECRETARY OF WAR

This so-called "Handbook" is pretty bad. I should like to know how it came to be written and who approved it down the line. If it has not been sent out as approved, all copies should be withdrawn and held until you get a chance to go over it.

It gives me the impression that Germany is to be restored just as much as the Netherlands or Belgium, and the people of Germany brought back as quickly as possible to their pre-war estate.

It is of the utmost importance that every person in Germany should realize that this time Germany is a defeated nation. I do not want them to starve to death but, as an example, if they need food to keep body and soul together beyond what they have, they should be fed three times a day with soup from Army soup kitchens. That will keep them perfectly healthy and they will remember that experience all their lives. The fact that they are a defeated nation, collectively and individually, must be so impressed upon them that they will hesitate to start any new war.

^{1/} Henry Morgenthau, Jr., "Post-War Treatment of Germany," in Annals of the American Academy of Political and Social Science (Philadelphia), Vol. 246, July 1946, pp. 125-29.

SECRET

The following are a few extracts of things which have caught my eye in a very hurried reading of this "Handbook". There are doubtless many others.

"Your main and immediate task, to accomplish your mission, is to get things running, to pick up the pieces, to restore as quickly as possible the official functioning of the German civil government in the area for which they are responsible ... The first concern of military government will be to see that the machine works and works efficiently".

"The principles with which Officers in Military Government Staffs and Detachments will be concerned include: the reorganization of the German police and the maintenance of law and order; the supervision of the German judiciary and the establishment of Allied Military Courts; the control of the German finances; the protection of property; the establishment and maintenance of an adequate standard of public health; the promotion of agriculture; the control, supply and distribution of food and essential supplies of every kind; the restoration and maintenance of public utilities; the provision for the gradual rehabilitation of peace-time industry and a regulated economy; the employment of labour and the prevention of industrial unrest..."

"Military Government Officers will, in conjunction with other interested and affected agencies and authorities, ensure that steps are taken to:

- (1) Import needed commodities and stores.
- (2) Convert industrial plants from war to consumer goods production.
- (3) Subsidize essential economic activities where necessary.
- (4) Reconstruct German foreign trade with priority for the needs of the United Nations.
- (5) Modify existing German regulations controlling industrial and raw material production".

"The highly centralized German administrative system is to be retained unless otherwise directed by higher authority".

"All existing German regulations and ordinances relating to ... production, supply or distribution will remain in force until specifically amended or abrogated. Except as otherwise indicated by circumstances or directed by higher authority, present German production and primary processing of fuels, ores and other raw materials will be maintained at present levels".

"The food supply will be administered so as to provide, if possible, a diet on the basis of an overall average of 2000 calories per day. Members

SECRET

of the German forces will be rated as normal consumers. The control of retail prices will be continued. The existing rationing system and classification of consumer groups will be maintained subject to modifications required by circumstances... Should the indigenous products of Germany be insufficient to provide such a basic ration, the balance will be made up by imports".

"All possible steps will be taken to ensure the utilization of German economic, material and industrial facilities to an extent necessary to provide such raw materials, goods, supplies or services as are required for military and essential civilian needs, and to any additional extent — as approved by higher authority — necessary to provide surpluses for international transfer, supplies for reparational requisition, and legitimate industrial stock-piling."

"The fishing industry has long been important in German economy, but owing to the requisitioning of trawlers for naval operations, the most important North Sea fish catch has been seriously curtailed. Before extensive commercial fishing can be resumed, a considerable amount of fishing gear will be required as well as stores and material for the repair and reconditioning of fishing vessels. There will possibly also be an immediate shortage of fuel and lubricants".

"The agricultural economy will be freed of Nazi discrimination; it will not otherwise be changed except where direct advantages are to be gained. Agricultural production control, and grain and other agricultural products collection agencies existing prior to occupation will be maintained or re-established. Equitable prices coordinated at Reich level will be fixed for farm products. Violations of farm price control, wages or rationing regulations will be severely punished".

"The main objective of Allied Military Government in the financial field is to take such temporary measures as will attempt to minimize the potential financial disorder and chaos that is likely to occur and thus assist the military forces in their operations and ease the burdens that will face the more permanent Allied control organization that will later deal with the problems of Germany".

"Wherever possible, removals and appointments (of civil servants) will be made by Military Government officers acting through German officials who are vested with this authority under German law; nothing will be done which would unnecessarily disturb the regular German civil service procedure or deprive the official or employee to be removed of any ultimate rights to which he may be justifiably entitled under German law, after cessation of military government".

"International boundaries will be deemed to be as they were on 31 December 1937".

There exists a school of thought both in London and here which would, in effect, do for Germany what this Government did for its own citizens in 1933 when they were flat on their backs. I see no reason for starting a WPA, PWA or a CCC for Germany when we go in with our Army of Occupation.

SECRET

Too many people here and in England held to the view that the German people as a whole are not responsible for what has taken place — that only a few Nazi leaders are responsible. That unfortunately is not based on fact. The German people as a whole must have it driven home to them that the whole nation has been engaged in a lawless conspiracy against the decencies of modern civilization.

Please let me see the revision of this and also let me have this original copy back.

F. D. R.^{1/}

The War Department responded immediately by directing the suppression of the SHAEF Handbook, the first communications being trans-Atlantic calls from Gen Hildring to Colonel John B. Sherman (Executive, G-5) and Gen McSherry of SHAEF. General Smith of SHAEF protested, stating his opinion that the Handbook had already been excised to eliminate controversial topics and that it was badly needed since the Allied Forces might reach Germany within a matter of days. Furthermore, he felt that matters of such import should not be handled in so informal a manner. Gen. Hildring replied that the telephone conversations had only been to explain and introduce the official action of the Combined Chiefs of Staff which had already been transmitted in Cablegram GOV 100, dispatched on 29 August 1944. It was realized that the matter of the Handbook and directives required resolution with the least delay and SHAEF could expect instructions from the CCS within a few days.^{2/}

^{1/} ASW Decimal File 370.8 Germany, DRB

^{2/} Cable, SHAEF from Smith signed Eisenhower to WD personal for Hildring, Forward 13405 of 30 August 1944, CAD Numerical File, RG 122, DRB; and from WD from Hildring signed Ulio to SHAEF Eisenhower personal for Smith, WAR-89253 of 30 August 1944, ASW Decimal File 370.8 Germany (Working File), DRB. SECRET

SECRET

Cable GOV 100 of 29 August, which ordered suspension of further action on the draft Handbook, was cancelled almost immediately by cable GOV 102. The new cable directed the elimination of all instructions concerning general economic and rehabilitation policy from the Handbook. It also authorized issuance of theater-level pre-surrender interim directives on the basis of the CCS-551 series of papers.^{1/}

Within a day or so, SHAEF prepared a revised draft of the Handbook designed to meet the criticisms which had arisen. Brigadier Forster of SHAEF hand-carried this draft to Washington, where it was brought to the immediate attention of Secretaries Stimson and Morgenthau and placed on the agenda of the Combined Civil Affairs Committee.

The new draft of the Handbook had been sufficiently changed so that Secretary Stimson could advise President Roosevelt that the draft was in conformity with his views. After reviewing the draft, Secretary Morgenthau agreed with this statement.^{2/} Brigadier Foster, however, appears to have cabled back to the Theater his impression, based on a meeting with the Civil Affairs Division, that still further changes in the Handbook would be necessary. The main changes would be:

^{1/} Cable GOV 100, WAR 89024, from CCS cite CCAC to Eisenhower for SHGE, 29 August 1944; Cable GOV 102, WAR 24569, same sender and addressee, ASW Decimal File 370.8 Germany (Working File), DRB. SECRET

^{2/} Draft Memorandum from Secretary of War to the President, undated, contains the following:

"I agree that many of the provisions which you quote seem unduly solicitous of the future welfare of Germany. The Handbook has now been reviewed by General Eisenhower's Headquarters and a new draft of it has just arrived which we have checked and believe to be in conformity with your views. Mr. Morgenthau has seen the new draft and concurs in this statement." The memorandum bears the pen and ink notation: "Not sent - handled informally." ASW Decimal File 370.8 Germany, DRB.

SECRET

"a. All Nazi Personnel should be immediately dismissed without any reservation as to expediency. In other words, it is better that they should be disorganized than that we should retain Nazi elements. This needs immediate alteration in Chapter 2. Principle of denazification should be constantly referred to in every chapter of the handbook.

"b. Handbook should be further rewritten on lines of edition that I brought over; namely, that where normal conditions or coddling of Germans is not necessary for objects of military government, they should be left to stew in their own juice. Quite a few instances of the old Adam are still to be found in handbook and Bernstein would probably be best hound for this.

"c. Elimination of discriminatory practices should be reemphasized in every chapter, where appropriate." 1/

The United States members of CGAC (including McCloy and Hilldring) drafted a cable indicating that the Handbook and theater directive brought by Brigadier Foster were "greatly improved but not yet satisfactory." It was suggested that if possible the Handbook not be distributed until after revision. In an emergency, however, it would be permissible to release the revised version of the Handbook with a flyleaf indicating that it was for pre-surrender purposes only and that there would be no economic rehabilitation or relief of Germany except as militarily necessary, while denazification was to be strictly enforced. Gen Hilldring advised the theater of this draft on 13 September 1944. It was not, however, dispatched in final form as an agreed CCS cable until 7 October, 1944, at which time the Theater had already received the original version of JCS 1067. 2/

1/ British Cable, from Lord Halifax to Mr. Eden, following for Peake from Foster, 5 September 1944, ASW Decimal File 370.8 Germany, DRB. While the file does not contain direct evidence that this cable was sent, corroborative evidence suggests strongly that this was the case.

2/ Cable, WAR-29982 from Hilldring signed Marshall to Eisenhower personal for Holmes, CAD Numerical File, RG 122, DRB. The text of this cable as finally sent (FACS 93) is discussed in the following chapter in the section on "Effect of JCS 1067 on SHAEF Planning." SECRET (downgraded from TS).

SECRET

Viewed as an administrative problem, the "Handbook Dispute" was evidence of a failure in communication. As Secretary Stimson pointed out in the memorandum he had intended to send to the President, SHAEF had received no guidance from EAC or CCS, except for the pre-surrender directive, CCS-551, which was based on "the usual short-term policy of keeping the area in rear of the operations in order so as to further the advance and welfare of the Armies." General Eisenhower's staff was thus required to make plans for the occupation on a tentative basis, the result being the draft of the SHAEF Handbook which the President had seen.^{1/}

If Washington had had no policy whatever with respect to the subjects covered in the SHAEF Handbook, there would have been no problem. It is quite conceivable that the development of occupational policy might be delegated entirely to the Theater Commander. The difficulty occurs when policies develop at the seat of government and the theater commander is uninformed. The greater the momentum that such policies achieve before the theater is apprised of the situation, the more violent the collision that is bound to occur.

In the case in point, the "hard peace" policy that was in variance with the reconstruction doctrine of the SHAEF Handbook represented an objective by a center of policy interest operating across organizational lines. It has since been alleged that certain key members were Communists, who hoped to create chaos in Germany to facilitate a Soviet take-over. Many other adherents of this policy center, it has been said, were not Communists but were moved by desire for revenge, based on racial feelings or on their personal experiences as former German citizens. Since the Communists were disciplined and had a

^{1/} Secretary of War draft memorandum for the President as cited in Note 2, p. 31

SECRET

coherent strategy, it would have been easy for them, according to this theory, to manipulate the center of policy interest and exercise an effective power out of all proportion to their numbers. There maybe sufficient evidence here to suggest an hypothesis, the proving or disproving of which is outside the scope of this study. Even if the hypothesis is true, of course, it does not imply that all or even most of those who agreed with the views promoted by the Morgenthauist center of policy interest were animated by vengeance or by Soviet sympathies.

The "hard peace" policy advocated by the FEA-Treasury-Justice policy center conflicted with the policies developed up to the summer of 1944 in the State Department. It would have been difficult for the adherents of the center to advance openly a policy markedly at variance with current doctrine. They therefore tried to win allies for the new policy in key positions, to build strength gradually while waiting for the psychological opportunity to move out into the open. This opportunity was afforded by the "Handbook Dispute," and was so effectively exploited the the subsequent Morgenthau Plan for the drastic curtailment of the German economy was able to eclipse and stultify official thinking during the critical closing months of the war. At the same time, the sheer violence of the assault threw the advocates of constructive occupation policies into disorder from which they did not recover until well after surrender.

Status of Planning on the Eve of the Morgenthau Plan

In late August 1944, just before the Morgenthau Plan controversy, there was still no firm US policy for post-war treatment of Germany. Several proposals were, however, in the semi-final or final stages of consideration.

SECRET

On 11 July 1944 Ambassador Winant, the U.S. representative on the European Advisory Commission, had transmitted to the Department of State for clearance a draft "General Directive for Germany" prepared by his political, military, air and naval advisors. This directive asserted the Allied purpose of disarming and demilitarizing Germany, convincing the German people of their total defeat and destroying and discrediting National Socialism, but it also stated the Allied intention "to permit those elements among the German people who desire German participation in a peaceful international life to lay the foundations for such participation by the establishment of responsible democratic government." Allied administration was to be "firm but just," and the commanders-in-chief were to "assist the German people to establish efficient administration and to develop a national economy which will provide for minimum German subsistence and enable Germany to make the maximum contribution toward relief, rehabilitation and reparation." The directive provided for the dismissal of "all active Nazi leaders" and "unreliable" civil servants and for Allied neutrality in German domestic politics, with a prohibition of National Socialist or other dangerous doctrines. Fraternization between the Allied forces and the German population was to be discouraged.^{1/}

The directive forwarded by Winant had been considered by the Working Security Committee of War, State and Navy Department representatives, which prepared an alternative draft of its own entitled "Military and Political Policies to be Followed in the Administration of Germany," dated 30 August 1944. This paper eliminated the economic provision for assisting the German people to

^{1/} Planning Committee, U.S. Advisors, EAC "Draft Directive to the Three Allied Commanders-in-Chief," transmitted to Department of State 11 July 44, ASW Decimal File 370.8 Germany (Long-term policies file), DPB

SECRET

develop a subsistence-level national economy, but it expanded the political provisions. German administrative machinery and German personnel were to be used to the extent possible for the execution of Allied policies, and schools and courts were to be reopened, without Nazi personnel, as rapidly as possible. While political activity would be prohibited except as authorized by the Supreme Allied Authority, parties opposing Nazi and kindred ideologies would be allowed to organize and appeal for popular support as soon as military security might permit.^{1/}

The two papers just described were forwarded by the Working Security Committee to the Joint Post-War Committee (a sub-committee of JCS) with a recommendation that the Working Security Committee paper rather than the London paper be used to instruct the US representative on the European Advisory Commission. The Joint Post-War Committee was making a staff study recommending that the Joint Chiefs of Staff concur from a military point of view in forwarding the Working Security Committee paper. By the time the Staff Study was completed, however, on 23 September 1944, both papers had been made obsolete by arguments and decisions on a higher level.

The State Department paper "Treatment of Germany" cited earlier as an example of moderate policy toward Germany, had been approved by the State Department's Committee on Post-War Programs and was awaiting consideration by the Joint Chiefs of Staff.^{2/} Another Working Security Committee paper, "General Objectives of US Economic Policy with respect to Germany," had been

^{1/} Working Security Committee, WS-254b, 30 August 44, "Military And Political Policies to be Followed in the Administration of Germany," ASW Dec. File 370.8 Germany (Long-term policies file), DRB.

^{2/} FWC 141 b, 5 Aug 44; 149b, c 27 and 31 May 44 respectively. The Committee on Post-War Programs was a State Department Committee and is not to be confused with the Joint Post-War Committee of the JCS.

SECRET

approved early in 1944 by the Executive Committee on Economic Foreign Policy, an interdepartmental body that included both Treasury and FEA representatives.^{1/} Some of the major features of the ECEFP's economic policy paper were as follows:

- a. Replacement of German economic self-sufficiency by the integration of Germany into the world economy;
- b. Conversion rather than dismantling of industrial plants serving the German war effort;
- c. A reparation program not primarily an instrument of punishment or a means of enforcing security measures on Germany but a positive series of acts on the part of Germany to assist in rebuilding the countries injured by her;
- d. Elimination of discriminatory trade practices, bilateralism and multiple currency devices;
- e. Restoration of an independent trade union movement and other forms of free economic association;
- f. Full employment of manpower and resources in production of commodities and services of a non-military character for which the German economy is well adapted;
- g. A coordinated series of measures to prevent a collapse of the German economy.

The ECEFP did not intend that controls over the German economy established by the occupation authorities should be used solely to force compliance with Allied demands. On the contrary, such measures would be directed at a

^{1/} Chairman of the Committee was Mr. Acheson and the Treasury and FEA members were Messrs. Harry D. White and Laughlin Currie respectively. The fact that White and Currie permitted the State Department paper proposing a constructive policy for Germany to pass through the Committee without a major issue maybe explained by inadvertence; it may imply that their thinking took time to crystallize; or it may emphasize the "grand slam" strategy used in putting across the Morgenthau Plan.

SECRET

rehabilitation of Germany as an essential element of a rehabilitation of the European economy as a whole.^{1/}

A companion paper set forth a series of policies essential to guard against the internal economic collapse of Germany, special attention being given to the need for avoiding inflation and financial disorder. The paper stated: "It is not the policy of this Government to repeat in Germany the inflationary methods of financing occupation costs practiced by the Nazi regime in occupied countries".^{2/}

Secretary of State Hull intended to present the recommendations of the ECEFP to President Roosevelt. As a preliminary measure he had written a letter on 24 August 1944 requesting the concurrence of the War Department, and urging the need for an economic policy for Germany.^{3/}

In spite of the obvious complexity and duplication of effort of the policy-making machinery, Washington officials were hopeful of results. As late as 29 August 1944 McCloy told British representatives that formulation of US Government views should be possible in a week or so. The next step would be to obtain agreement with His Majesty's Government and to send a directive to

^{1/} Paper WS 54c, title as indicated above, 24 February 1944; letter from Assistant Secretary of War McCloy to Director James C. Dunn of Office of European Affairs, Department of State, 5 April 1944, approving provisional release of paper to US representative on SAC; WDSCA Decimal File 091 Germany, DRB. SECRET

^{2/} Working Security Committee paper WS-55c, "Germany: Post-Surrender Problems: Control of the German Economy Immediately After Surrender: Policies Essential to Guard Against Internal Collapse," 2 Mar 44 (revised by Committee 24 Feb 44), WDSCA Dec. File 091 Germany, DRB. SECRET

^{3/} Letter, Secretary of State Cordell Hull to Secretary of War Henry L. Stimson, 24 August 1944, CAD Decimal File 014 Germany, Section VIII, RG 122, DRB SECRET

SECRET

SCAEP. This directive, McCloy indicated, would be based largely on the pre-surrender directive.^{1/} In the meantime, General Eisenhower was authorized to use the pre-surrender directive for planning until he should receive further instructions.^{2/}

It is evident that the implications of the storm bursting on the highest level were not widely realized.

Establishment of the Cabinet Committee

On 25 August 1944 Secretary of War Stimson had a luncheon conference with President Roosevelt. For this conference he had prepared an outline on "urgent matters of American policy" which he intended to discuss, covering such subjects as allocation of zones of occupation, partition of Germany (which Stimson felt should be limited to separation of certain provinces) and "liquidation of Hitler and his gang." Stimson felt that any "shooting" should take place immediately rather than later, a view also held in certain British quarters. His agenda also included as "urgent" the question of policy toward spontaneous revolutions against the Nazis, that is, the question whether American officers should prevent Germans from lynching Nazi officials if they cared to do so. The questions of economic controls over German industry and of political reorganization Stimson considered "necessary but less urgent". He also brought up the question of a top-level civilian advisor to General Eisenhower.^{3/}

^{1/} Cable ZO 205 from British Joint Staff Mission, Washington, to His Majesty's War Office, London, 30 August 44, ASW Decimal File 370.8 Germany, DRB. SECRET

^{2/} Notes on US/UK meeting in Assistant Secretary of War McCloy's Office, 20 August 1944, ASW Decimal File 370.8 Germany, DRB. (S). It was agreed at this meeting that the new directive would be drawn up by CAD, cleared through the US Cabinet and, after British concurrence, transmitted through CCS. Implementation was to be assigned to ACC/G using CCAC/L to resolve US/UK differences.

^{3/} Sec of War Stimson, "Brief for conference with the President, Aug 25, 1944," ASW Dec. File 370.8 Germany, DRB.

SECRET

Of his meeting with the President, Secretary Stimson wrote:

"I made my main point - that we were running into a lack of preparedness. Our troops were going into Germany and they had no instruction on these vital points ... I pointed out that the President himself couldn't do the necessary study to decide these various points and suggested that he ought to appoint a Cabinet committee who could assimilate the work that was already being done by men on a lower level and prepare it for the President himself. He took that point and accepted it and then we went into Cabinet and at the very beginning of Cabinet he said that he would appoint Secretaries Hull, Morgenthau, and myself as the members of that committee, with the Secretary of the Navy acting on it whenever a Navy matter was involved."¹

The President charged his Special Assistant Harry L. Hopkins with arrangements for the Cabinet committee, directing him to give the matter undivided attention for the next few weeks. On 1 September 1944 Hopkins visited Secretary of State Hull, and then consulted with officials of the Office of European Affairs, to whom he explained that Secretary Morgenthau's interest in the matter sprang from his disagreement with the SHAEF Handbook. James W. Riddleberger, Chief of the Division of Central European Affairs, explained to Hopkins the views on German problems held in London and developed from two years of study.

THE MORGENTHAU PLAN CONTROVERSY

The Morgenthau Plan is Introduced

On 2 September 1944. Hopkins held a meeting in the White House attended by Assistant Secretary of War McCloy and Gen Hildring, H. Freeman Matthews, Deputy Director of the Office of European Affairs, and James W. Riddleberger of the State Department; and Assistant Secretary of the Treasury Harry D. White. At this meeting two plans for Germany were introduced: one from the Treasury Department and one from the Department of State.

¹/ Service 569

SECRET

The Treasury memorandum, entitled "Suggested Post-Surrender Program for Germany," was the original Morgenthau plan dated 1 September 1944, while this document was slightly more detailed and in certain respects more severe than the final version of the Morgenthau Plan dated 8 September 1944, it was not as harsh in its treatment of the Ruhr industrial complex as an intermediate version dated 5 September 1944,^{1/} the essential provisions of which were incorporated in the 8 September version. The plan presented by Assistant Secretary White contained the by now familiar proposal for the division of Germany, after cession of various territories, into a South German State to be joined in customs union with Austria, a North German State consisting of Prussia, Saxony, Thuringia and several smaller states, plus an International Zone containing the Ruhr and the surrounding industrial areas including the Kiel Canal and the Rhineland. The area north of the Kiel Canal was to be ceded to Denmark. While the internationalization of this area was not to interfere with the destruction of the German armament industry and supporting industries nor with plant removals for restitution and reparations, the plan did not contemplate a total de-industrialization of the Ruhr. Major industrial properties were to be transferred to the international control organization to be established by the United Nations to administer the zone, and neither natural resources nor industrial capacity were to be used or developed so as to contribute to the military potential of Germany or the Ruhr area. The International

^{1/} The 1 September and 5 Sept 1944 versions of the Morgenthau Plan was hitherto unpublished and were downgraded from top secret and secret respectively to unclassified by a Treasury Dept. letter dated 22 September 1953. This letter also downgraded to unclassified sections 2-11 of the 8 September 1944 version, which had been previously downgraded to restricted. Part 1 of the 8 September 44 version is published in Henry Morgenthau Jr., Germany Is Our Problem, (New York and London, 1945), although the date indicated there is 15 September, and is reprinted in Decade 502-5.

SECRET

Zone would be a free trade area, although the importation of capital "should be discouraged." In explaining the Morgenthau Plan to the meeting, White went beyond its terms, stating that no trade from the proposed Ruhr-Rhineland International Zone would be permitted to contribute in any way to the German economy.

The plan provided for restitution and reparation by return of looted property, liquidation of German external assets, removal of industrial plants and equipment and by forced German labor outside Germany, the language being similar to that of the published plan. It also contained provisions for mandatory arrest and compulsory labor outside Germany for the entire SS and Gestapo as well as high Government, Nazi Party and security officials and "leading public figures closely identified with Nazism." Members and sympathizers of the NSDAP as well as "Junkers" and military and naval officers were to be dismissed from public office, disfranchised and disqualified to hold office or engage in journalism, teaching, law or business management. Reform of government would begin with thorough denazification, followed by the establishment of state governments for the Laender and the Prussian provinces, after which each of the newly partitioned areas would be organized as "a loose confederation of states, with emphasis upon states' rights and a large degree of local autonomy."

The economic provisions, similar in language to that of the published plan, provided that Allied Military Government would not exercise economic responsibility nor take any measures designed to maintain or strengthen the German economy, except those essential to military operations. "The responsibility for sustaining the German economy and people rests with the German people with such facilities as may be available under the circumstances."^{1/}

^{1/} Morgenthau Plan of 1 September 1944. The same sentence appears in the 5 and 8 September versions.

SECRET

The State Department paper, likewise dated 1 September 1944, agreed that there should be some cessions of border territory but opposed partition of Germany. It provided for the use of the German economy for productive purposes as well as for restitution and some transfer of equipment and facilities. Economic activities of the Occupation forces would be directed to self-support of Germany, conversion of the German economy to peaceful production, as well as export of reparations. The paper was, apparently, in basic agreement with plans which had been developed by the Working Security Committee and the Executive Committee on Economic Foreign Policy. Apparently, it had the concurrence of the War Department.^{1/}

The War Department represented that the Morgenthau Plan would be difficult to execute, and that it ran counter to basic views of the State and War Departments. Mr. McGloy argued that it was essential to provide General Eisenhower with an interim directive, and that any differences between the State and War Departments were minor and could be easily adjusted. The conferees requested Riddleberger to draw up a memorandum for signatures by the Secretaries of State, Treasury, and War to be submitted to the President. The next day, James C. Dunn, Director of the Office of European Affairs, with Matthews and Riddleberger, expounded to Hopkins in more detail the State Department's views and its objections to the Morgenthau Plan.

^{1/} The Department of State paper dated 1 Sept 1944 has not been downgraded from "TOP SECRET" and is, therefore, not cited here. The foregoing characterization was obtained from secondary sources commenting on this paper, including particularly a memorandum from G.H. Dorr to Assistant Secretary McGloy, 5 Sept 44, ASW Dec. File 370.8 Germany, SECRET

Although the War Dept. files searched do not contain any memoranda indicating War Department concurrence, an authoritative source refers to it as a "State/War draft."

SECRET

Secretary Hull's Recommendations -- The Revised Morgenthau Plan

The first meeting of the Cabinet committee was held 5 September 1944.

Secretary Hull brought with him a memorandum dated 4 September 1944 and entitled "Suggested Recommendations on Treatment of Germany from the Cabinet Committee for the President." This memorandum differed sharply from the views theretofore espoused on the working level in the State Department. It included the denazification provisions of the Morgenthau Plan, such as arrest of the entire SS including strictly military elements, and exclusion of NSDAP members from political or civil activity. The question of partition was to be reserved "until we see what the internal situation is and what is the attitude of our principal allies on this question."

The provisions of this memorandum on reparations and the level of industry were as follows:

"(f) American Government has no direct interest in obtaining reparations from Germany and consequently no interest in building up German economy in order to collect continuing reparations. However, the UK and USSR, together with a number of small States which have been victims of German exploitation, may have claims on German production which they will require for purposes of rehabilitation and reconstruction. Consequently, we should not take a fixed position on reparation at this time but should await the views of Governments which have a more direct interest.

"(h) The principal objectives of our economic policy are: (1) the standard of living of the German population shall be held down to subsistence levels; (2) German economic position of power in Europe must be eliminated; (3) German economic capacity must be converted in such manner that it will be so dependent on imports and exports that Germany cannot by its own devices revert to war production."^{1/}

^{1/} Memorandum, Subject: "Suggested Recommendations on Treatment of Germany from the Cabinet Committee for the President," RG 122, CAD 014 Germany, Section VIII, DNB (S). Paragraph (f) has been quoted in an unclassified State Department historical memorandum and paragraph (h) appears on p. 571 of Stimson and Bundy, op. cit.

IV 44
SECRET

SECRET

Secretary Stimson's account of the September 5 meeting, recorded in his diary, is as follows:

"Hull brought up a draft of agenda for the meeting ... This paper was all right on its face down to the last section which contained some extreme propositions and principles, and as soon as we got in to a discussion of these I, to my tremendous surprise, found that Hull was as bitter as Morgenthau against the Germans and was ready to jump all the principles that he had been laboring for in regard to trade for the past twelve years. He and Morgenthau wished to wreck completely the immense Rhine-Saar area of Germany and turn it into second-rate agricultural land regardless of all that the area meant not only to Germany but to the welfare of the entire European continent. Hopkins went with them so far as to wish to prevent the manufacture of steel in the area, a prohibition which would pretty well sabotage everything else. I found myself a minority of one and I labored vigorously but entirely ineffectively against my colleagues. In all the four years that I have been here I have not had such a difficult and unpleasant meeting although of course there were no personalities. We all knew each other too well for that. But we were irreconcilably divided. In the end it was decided that Hull would send in his memorandum to the President while we should each of us send a memorandum of views in respect to it."^{1/}

Upon returning from the meeting, Secretary Stimson wrote and dispatched the same day to Secretaries Hull and Morgenthau and to Hopkins a lengthy memorandum. He objected to paragraph (h) of the State Department paper as interpreted at the meeting, pointing out that German production formed the largest source of supply to ten European countries and the second largest to Great Britain, Belgium and France for basic raw materials on which European industry as a whole depended, and that growth of population both within and outside Germany depended on German industry. He condemned as unrealistic "the suggestion that such an area in the present economic condition of the world can be turned into a non-productive

^{1/} Service 570. A footnote to the second sentence reads: "This later seemed to Stimson an overstatement of Hull's position; in any event the Secretary of State soon took a quite different view." The following day Assistant Secretary of War McCloy commented to Mr. Matthews that after a long talk with Secretary Hull, he did not feel that the Secretary was really at variance with Matthews and McCloy's thinking on the subject. (Letter, McCloy to Matthews, 6 Sept 44, ASW Dec. File 370.8 Germany, DKB). SECRET

SECRET

'ghost territory' when it has become the center of one of the most industrialized continents in the world..." Secretary Stimson went on to emphasize the need for economic reconstruction in order to "avoid dangerous convulsions in Europe" and the damages which Germany would suffer in any case from the cession of territory and from possible partition. Stimson was ready to control German industrial productivity but not to obliterate it. He then summarized the political argument against the Morgenthau Plan as follows:

"Nor can I agree that it should be one of our purposes to hold the German population 'to a subsistence level' if this means the edge of poverty. This would mean condemning the German people to a condition of servitude in which, no matter how hard or how effectively a man worked, he could not materially increase his economic condition in the world. Such a program would, I believe, create tension and resentments far outweighing any immediate advantage of security and would tend to obscure the guilt of the Nazis and the viciousness of their doctrines and their acts.

"By such economic mistakes I cannot but feel that you would also be poisoning the springs out of which we hope that the future peace of the world can be maintained...

"My basic objection to the proposed methods of treating Germany which were discussed this morning was that in addition to a system of preventive and educative punishment they would add the dangerous weapon of complete economic oppression. Such methods, in my opinion, do not prevent war; they tend to breed war."

On 6 September 1944 the President held a meeting with the Cabinet committee. Secretary Hull reintroduced his 4 September paper as "not agreed," while Secretary Morgenthau introduced the second version of the Morgenthau Plan dated 5 September 1944.

The revised Morgenthau Plan omitted the provision ceding the area north of the Kiel Canal to Denmark, but it included for the first time a detailed provision for the de-industrialization of the Ruhr, which is quoted in full as follows:

1/ Service 573

SECRET

"3. The Ruhr Area. (The Ruhr, surrounding industrial areas, as shown on the attached map, including the Rhineland, the Keil (sic) Canal, and all German territory north of the Keil Canal.)

Here lies the heart of German industrial power, the caldron of wars. This area should not only be stripped of all presently existing industries but so weakened and controlled that it cannot in the foreseeable future become an industrial area. The following steps will accomplish this:

(a) Within a short period, if possible not longer than 6 months after the cessation of hostilities, all industrial plants and equipment not destroyed by military action shall either be completely dismantled and removed from the area or completely destroyed. All equipment shall be removed from the mines and the mines shall be thoroughly wrecked.

It is anticipated that the stripping of this area would be accomplished in three stages:

(i) The military forces immediately upon entry into the area shall destroy all plants and equipment which cannot be removed.

(ii) Removal of plants and equipment by members of the United Nations as restitution and reparation (Paragraph 4).

(iii) All plants and equipment not removed within a stated period of time, say 6 months, will be completely destroyed or reduced to a scrap and allocated to the United Nations.

(b) All people within the area should be made to understand that this area will not again be allowed to become an industrial area. Accordingly, all people and their families within the area having special skills or technical training should be encouraged to migrate permanently from the area and should be as widely dispersed as possible.

(c) The area should be made an international zone to be governed by the international security organization to be established by the United Nations. In governing the area the international organization should be guided by policies designed to further the above stated objectives.^{1/}

The restitution and reparation provisions were the same as in the 1 September Morgenthau Plan, including the transfer of German territory and property located therein as well as removal of industrial plants and equipment. The economic provisions, like those of the first Morgenthau Plan, rejected Allied responsibility for economic problems such as price controls, rationing, production and distribution and placed the responsibility for sustaining the German economy with the

^{1/} Morgenthau Plan, version of 5 Sept 44, ASW Dec. File 370.8 Germany, DRB.

SECRET

German people "with such facilities as may be available under the circumstances." These policies were, of course, diametrically opposed to the recommendations of the Working Security Committee for conversion rather than dismantling of plants and for measures to avoid inflation and economic collapse.

In addition to the denazification proposals of the first Morgenthau Plan, an appendix to the 5 September document provided that "arch criminals" on a list prepared by the United Nations be shot without trial as soon as identified by a general officer. The decentralization provisions were substantially the same as in the first Morgenthau Plan.

At the meeting of 6 September, President Roosevelt made his since widely quoted remark, "that Germany could live happily and peacefully on soup from soup kitchens." Compare the related phrase in his "Handbook" memorandum of August 26th, quoted above.) It was Stimson's impression, however, that the President did not accept Morgenthau's proposal for dismantling the Ruhr; the President pointed out that Great Britain would need raw materials furnished by that region after the war. Stimson also felt that Secretary Hull was modifying his attitude.^{1/} The meeting broke up without agreement and at Secretary Morgenthau's request a new meeting with the President was set for 9 September.

It soon turned out that Secretary Stimson's impression of the 6 September meeting had been too optimistic. Allies of the Morgenthau Plan had suddenly appeared on the British side. Visiting Secretary Stimson on 8 September 1944, President Isaiah Bowman of Johns Hopkins University told him:

This morning I heard unofficially that the British Government is at the moment formulating proposals for the complete 'dismantling' of German industry, and this report if true seems to confirm the view that I had in April in London that the reluctance of the British officials to accept the principle of international control in the Ruhr reflects their desire to control German industry

^{1/} Service 573-4. File 370.8 Germany, DRB

SECRET

in British interests for at least a period of time after the war. The impression given me was that this latter attitude of the British indicated a desire to curtail, destroy, or suspend the economic benefits of the Ruhr.^{1/}

The same day Justice Frankfurter of the Supreme Court telephoned to the War Department and dictated the following:

1. It is decided that the Ruhr district will be made the subject of special arrangements and in the meantime it will be, as it were, impounded in trusteeship by the United Nations.
2. For that purpose it will be occupied by the Armies of the United States, Great Britain, Russia, France, Belgium and Holland.
3. It is further decided to study by what means a majority or substantial part of the population can be moved to other countries and replaced by people of non-German origin.
4. What international status to be given to the area and in what ways can its productive capacity be used for the benefit of Europe, and not to its detriment, is to be a subject of further study.^{2/}

Justice Frankfurter went on to indicate that measures of this type were necessary to ensure an effective peace, since "... the only soft peace that we can possibly fashion is a peace with paper teeth."

Stimson's Campaign Against the Morgenthau Plan

Following a strategy conference between Secretary Stimson and Assistant Secretary McCloy, a memorandum was prepared incorporating Stimson's views. While

^{1/} Memorandum of Briefing by Dr. Isaiah Bowman, President of Johns Hopkins University, to Secretary Stimson, 8 Sept 44, ASW DEC. File 370.8 Germany, DRB. SECRET
^{2/} Memorandum of telephone call from Justice Frankfurter, 8 Sept 44, ASW DEC. File 370.8 Germany, DRB. The memorandum does not indicate who received this call.

SECRET

accepting internationalization of the Ruhr and the trusteeship of its products, Stimson remained "unalterably opposed" to the destruction of the Ruhr industrial complex. Instead of shooting war criminals out of hand, he recommended that they be tried before an international tribunal for offenses against the rules of war. He also noted that certain other punishments proposed by the Secretary of Treasury were "irritations of no fundamental value, and indeed of considerable danger." While maintaining an open mind on partition, Mr. Stimson felt that cessions to France should be limited to Alsace-Lorraine. French interests would be adequately served by a share in the international control of the Ruhr and the Saar.

Secretary Stimson appended to the memorandum his suggestions for revising the Secretary Hull's paper of 4 September. He recommended provisions eliminating German manufacture of aircraft and implements of war and directing the apprehension and trial of active Nazis. Territorial cessions were "understood" to be limited to "all or most of East Prussia and some parts of Silesia." The amended paper would recommend "some form of international trusteeship" over the products and resources of the Ruhr which "should not be obliterated as an industrial productive center, but ... must be actively managed by others than Germans and otherwise completely taken from German domination." The final revision suggested by Secretary Stimson eliminated the statement that "the standard of living of the German population shall be held down to subsistence levels."^{1/}

Secretary Stimson presented his papers at the meeting with the President on 9 September. Secretary Morgenthau also presented a new paper which asserted that it

^{1/} Memorandum by Secretary of War Stimson with appendix entitled "Suggested Changes in Cabinet Committee Recommendations as Stated in Paper September 4, 1944," dated 9 Sept 44 and initialed by J.J.McC and H.L.S., CAD Dec. File 014 Germany, RG 122, DRB. SECRET

SECRET

was a fallacy that Europe needed a strong industrial Germany, that British industry could fill the gap left by the Ruhr, and that closing the Ruhr mines would cure the depression in English coal mining. "It asserted that England had coal enough to supply its present output for five hundred years! This certainly is contrary to everything I have heard about the mines of Great Britain which have been constantly asserted to have been dug so deep as to become almost uneconomic".^{1/}

This meeting, too, failed to produce any conclusive results. The President left for Quebec, where the Octagon Conference with Prime Minister Churchill began on 11 September. Stimson noted in this connection that the President was ill and tired and "... that he is going up there without any real preparation for the solution of the underlying and fundamental problem of how to treat Germany."^{2/}

While the President was in Quebec, Secretary Stimson set about preparing a definitive reply to the latest Morgenthau memorandum. He began with a brief statement of general principles which he dictated himself. The main point of difference between the War and Treasury Departments, Stimson said, was "the opposite spirit and purposes which embrace our two methods of approach to this difficult situation." "We believe," he continued, "that the purpose revealed by the Nazis themselves in their treatment of their conquered territories, namely an attempt by force and oppression to accomplish the breaking of the opponent's spirit." The truncation and partition of Germany and the destruction of its industrial bases represent "force in its most oppressive and brutal forms." Such actions would produce in the Germans "the deepest resentment and

^{1/} Service 574, citation from Mr. Stimson's Diary of 9 Sept 44.

^{2/} Service 575, Stimson's Diary of 11 Sept 44.

SECRET

bitterness towards the authorities which had imposed such revolutionary changes upon them." Against this background, the Treasury proposal "to completely reorganize and reform" the German people represented what Stimson considered "almost a touch of fantastic humor".^{1/}

Assistant Secretary McCloy undertook the drafting of the memorandum to be sent to the President. His draft was then revised personally by Secretary Stimson and constituted, in its final form, a fundamental tract against the entire philosophy of revenge against Germany.

The new paper laid stress upon the idea contributed by Harvey H. Bundy, then Special Assistant to the Secretary of War, to the effect that the United States has always stood for the right of men throughout the world to enjoy fundamental freedoms and a fair reward for their toil. In its economic policies, the United States has favored maximum freedom of trade and recognized that the poverty of one country never creates prosperity in another. The Morgenthau Plan, Bundy stated, violated the fundamental bases of American beliefs.^{2/} To this thought, McCloy added that the Morgenthau Plan "visits upon the Germans precisely what they sought to visit upon their victims - a reduction to peasant level and the reservation to the master peoples of the control of science and the machines. These were the loudly proclaimed Nazi doctrines and we propose to apply them in reverse."^{3/} The "Carthaginian aspect of the proposed plan would, in my judgment, provoke a reaction on the part of the people in this country and

^{1/} Notes dictated by Secretary Stimson, "In re treatment of Germany - reply to latest Morgenthau memorandum," 12 Sept 44, ASW Dec. File 370.8 Germany, DRB.

SECRET

^{2/} Memorandum from Harvey H. Bundy to Assistant Secretary McCloy, 13 Sept 44, ASW DEC. File 370.8 Germany, DRB. SECRET.

^{3/} Memorandum from Secretary of War to the President, 15 Sept 44, First Draft, ASW Dec. File 370.8 Germany, DRB. SECRET

SECRET

in the rest of the world which would operate not only against the measures advocated but in its violence would sweep away the proper and reasonable restrictive measures that we could justifiably impose."^{1/}

The Quebec Conference and Thereafter

In the meantime, however, Secretary Morgenthau was in Quebec with the President and the Prime Minister. How Morgenthau happened to be invited to this conference, at which ranking officials of the Department of State were conspicuous by their absence as well as the course of events at the Conference itself are subjects outside our present purview. They are dealt with extensively in published memoirs.^{2/} The fact that is of principal significance for our subject is that Secretary Morgenthau succeeded in convincing both the Prime Minister and the President of the merits of his plan for the treatment of Germany.^{3/} "This plan was in fundamental conflict with the recommendations on this matter made earlier that month by the Secretary of State and with the views of the War Department."^{4/}

^{1/} Memorandum from Secretary Stimson to the President, 15 Sept 44, ASW Doc. File 370.8 Germany, DRB. SECRET. Service 578-9 contains an extensive quotation from this memorandum, but not the sentence cited here.

^{2/} Notter, Preparation 244, states: "No policy official of the Department accompanied the President to Quebec."

See Memoirs of Cordell Hull, II, 1602-22; Stimson and Bundy, On Active Service pp. 568-83; Henry Morgenthau, Germany Is Our Problem, N.Y. 1945.

^{3/} Churchill notes that he had been surprised to see Morgenthau at Quebec, but none the less pleased, as the British were anxious to discuss financial arrangements. Of the Morgenthau Plan he writes: "At first I violently opposed this idea. But the President, with Mr. Morgenthau — from whom we had much to learn — were so insistent that in the end we agreed to consider it." Winston S. Churchill, Triumph and Tragedy, Vol. 6 of The Second World War, Boston 1953, p. 156.

^{4/} Notter, Preparation 244.

SECRET

The decision made by the President and the Prime Minister at Quebec was recorded in the following agreement:

At a conference between the President and the Prime Minister upon the best measures to prevent renewed rearmament by Germany, it was felt that an essential feature was the future disposition of the Ruhr and the Saar.

The ease with which the metallurgical, chemical and electric industries in Germany can be converted from peace to war has already been impressed upon us by bitter experience. It must also be remembered that the Germans have devastated a large portion of the industries of Russia and of other neighboring Allies, and it is only in accordance with justice that these injured countries should be entitled to remove the machinery they require in order to repair the losses they have suffered. The industries referred to in the Ruhr and in the Saar would therefore be necessarily put out of action and closed down. It was felt that the two districts should be put under some body under the world organization which would supervise the dismantling of these industries and make sure that they were not started up again by some subterfuge.

This programme for eliminating the war-making industries in the Ruhr and in the Saar is looking forward to converting Germany into a country primarily agricultural and pastoral in its character.

O. K.

F.D.R.

W.S.C..

15 9

September 16, 1944^{1/}

This decision, although later modified, was to have an important bearing in the government's subsequent policy on treatment of Germany.

Secretary Stimson's memorandum in opposition to the Morgenthau Plan, dated 15 September 1944, had not been dispatched when Stimson received news of the fait accompli at Quebec. After thinking it over the Secretary nevertheless decided to

^{1/} Service 576-7, see also Henry Morgenthau, Jr., "Post-war Treatment of Germany", as cited in Note #2 1 pp 27. A. 12

SECRET

dispatch the paper. The original was sent on 17 September to the President via Hopkins, with copies going to Secretaries Hull and Morgenthau. At the final meeting of the Cabinet Committee on 20 September, Morgenthau related his Quebec conversations as well as a prior discussion with Anthony Eden on the same subject. Secretary Hull expressed displeasure at what had occurred at Quebec as well as annoyance that the Treasury had discussed with the British matters of primary concern to the State and War Departments. The meeting broke up without results and the President dissolved the Cabinet Committee on 26 September 1944.

Several days later, the story of the Morgenthau Plan dispute broke in the press, which for the most part was highly critical of the line taken by the Secretary of the Treasury and the President. This fact, and possibly also the Secretary of War's memorandum, influenced President Roosevelt to such an extent that on 3 October 1944, in a conference with Stimson, Roosevelt practically repudiated the Morgenthau Plan.^{1/} This conference was personal and off the record.

Thereafter, Roosevelt took an equivocal attitude. Although he mentioned in a memorandum of 29 September 1944 that complete eradication of German industrial capacity in the Ruhr and Saar was not desired, he did not confirm the position he had privately indicated to Stimson. Instead, for some time, he declined further discussion of the treatment of Germany, stating on 20 October 1944: "I dislike making detailed plans for a country which we do not occupy."^{2/} Roosevelt's unwillingness to render a clear decision on the issue forced the focus of policy formation back to a lower administrative level. Major roles in

^{1/} Service 580-581

^{2/} Philip E. Mosely, "Dismemberment of Germany," op. cit. pp. 487-498

SECRET

the policy discussions that followed were played by Assistant Secretary McCloy and the Civil Affairs Division in the War Department and by the Office of European Affairs in the State Department. While these officials could and did produce policy statements, they were hampered by top-level indecision: there was a reluctance to be definite, and policy statements when issued lacked sufficient authority. The failure to achieve a firm and consistent American policy toward Germany made it impossible for Ambassador Winant to press for Allied agreement in the European Advisory Commission, since he was unsure of the backing of his government.

At the same time, the Morgenthau Plan had a pervasive influence on the attitudes of policy-forming officials on all levels. It opened the way to group psychological pressures that were difficult for the individual official to resist. Thus the philosophy and objectives of the Morgenthau Plan, if not its specific provisions, took root in Directive JCS 1067, the development of which is the next subject of our attention. Furthermore, the Morgenthau Plan supplied the rationale for the order given on 28 September 1944 by the President to the Foreign Economic Administration calling for studies of the "economic and industrial disarmament" of Germany.^{1/}

^{1/} Hajo Holborn, in *American Military Government*, pp. 40 ff., points out that the Morgenthau Plan forced a clear decision on the issue of an attack on the whole structure of German heavy industries, leading to the President's instruction to the FEA. While the FEA report of 19 December 1945 does not advocate "the complete extinction of heavy industries in Germany," it admits that "... the difference between the industrial disarmament program proposed in this report and that advanced by the former Secretary of the Treasury is one only of degree." 79th Congress, 2d Session, Senate Subcommittee Monograph #6, p. 33. George S. Pettes, in his memorandum for the House Select Committee on Foreign Aid, notes that the elimination or reduction of German industry and the policy of "hands off" in matters not required for the occupying forces or demilitarization were carried over from the Morgenthau Plan to JCS 1067. Appendix II to "Report on Germany" in Final Report on Foreign Aid, House Report No. 1845, 80th Congress, 2d Session, 1948, pp 141-150.

SECRET

Chapter 5

MAJOR PRE-SURRENDER POLICIES - THE EVOLUTION OF JCS 1067

THE ORIGINAL JCS 1067

The "Pre-Morgenthau" Draft of 1 September 1944

While the controversy over the Morgenthau Plan was raging on the Cabinet level, the ranking technical officials in Washington were negotiating an interim post-surrender directive. As Assistant Secretary of War McCloy had optimistically told the British on 29 August 1944, agreement of interested US agencies was expected "in a week or so." The directive would then be brought before the Combined Chiefs of Staff for British concurrence. The first draft of this directive was prepared in the Civil Affairs Division and forwarded to Gen Hildring, the Division Director, on 1 September 1944.

In considering the subsequent history of this directive, it is important to have in mind the problem of communication between echelons. The treatment of Germany was being considered on a political level (the Cabinet Committee) and by the working officials of the War and State Departments. There were of course intermediate officials such as McCloy in the War Department and Dunn, Matthews and Riddleberger at State, who had working contacts on both the political and professional levels. Yet the absence of certain types of communications in otherwise voluminous records suggests that these officials did not feel free to keep their subordinates currently informed on the details of top-level policy conferences.

V-1

SECRET

SECRET

The draft interim post-surrender directive of 1 September 1944 reflected the status of current thinking on the working level and was unaffected by the trend of thought being introduced by Secretary Morgenthau. Its provisions were in many respects similar to those of the directive which had been proposed on 11 July 1944 by Ambassador Winant, the US representative on the EAC.

The draft of 1 September 1944 did, however, reflect a slight change of emphasis. Winant's draft had expressed a positive interest in German reconstruction by directing steps "to assist the German people to establish efficient administration and to develop a national economy which will provide for minimum German subsistence and enable Germany to make the maximum contribution toward relief, rehabilitation and reparation."¹ The draft of 1 September directed the commander to assume control of the German economy so as to assure production and maintenance of goods and services essential for Allied purposes, including the prevention or alleviation of epidemics, unrest and disorder which would endanger the Allied Forces or the occupation. This limiting proviso was, however, construed broadly in a subsequent provision directing "other economic measures . . . necessary to prevent serious civil unrest and disorder . . ." including for such purposes steps to control unemployment and inflation. In short, the prevention of economic chaos in Germany was still recognized as a specific purpose of the occupation.

-
1. Draft directive to the three Allied Commanders-in-Chief, forwarded by US representative on EAC, 11 Jul 44. (Working Security Committee paper), ASW Decimal File 370.8 Germany (Long-term Policies File), DRE.

V-2

SECRET

SECRET

The "political guide" attached to the draft of 1 September directed a "just but stern" administration (Winant's draft had said "firm but just") and otherwise continued in effect the political guide annexed to the pre-surrender directive, OCS 551.¹

The War Department's draft post-surrender directive was forwarded by Assistant Secretary McCloy to Matthews of the State Department on 6 September 1944. It was McCloy's opinion that the Committee (evidently, the Working Security Committee) should approve the draft, which was felt to be in accord with Secretary Hull's "suggested recommendations on treatment of Germany" of 4 September 1944, apart from the controversial last sub-paragraph. McCloy also took exception to a provision in the State Department paper that "Party members should be excluded from political or civil activity . . .", holding that it would not be practicable to exclude from governmental or civic activity Party members who had joined only to retain their jobs.²

The fact that the technical officials in the War Department still favored a moderate treatment of defeated Germany is illustrated not only by McCloy's letter to Matthews but also by a memorandum from the Army Service Forces that reached McCloy on 5 September 1944. This memorandum

-
1. Memorandum, Col William C. Chanler to Director of Civil Affairs Division, with attached draft interim post-surrender directive, 1 Sep 44, ASW Decimal File 370.8 Germany, DRB. SECRET
 2. Ltr, Asst Sec of War McCloy to H. Freeman Matthews of State Dept, 6 Sep 44, ASW Decimal File 370.8 Germany, DRB. SECRET

SECRET

indicated that there would be, as a matter of course, substantial reconstruction of German industry to satisfy the import needs of Allied countries. The essential problem, as Army Service Forces saw it, was to prevent German price cutting that might disorganize world markets.¹

The Directive of 24 September 1944

Interdepartmental consideration of the interim post-surrender directive did not take place in the Working Security Committee of the War, Navy and State Departments, which until then had been the forum for such discussions. Instead, the directive was considered in a series of ad hoc conferences in which the Treasury Department participated. While the State Department was represented by Dunn, Matthews and Riddleberger, who also participated in the Working Security Committee, the chief negotiators for the War Department were Assistant Secretary McCloy and Gen Hildring. At the final meeting of 22 September 1944, held in the office of Harry Hopkins, the Treasury was represented by three officials: John W. Fehle, Assistant to the Secretary; Ansel F. Luxford, Assistant General Counsel; and William H. Taylor of the Division of Monetary Research.

It is evident from the results of these conferences that the Treasury officials were able to present their point of view as authoritative. As Gen Hildring on one occasion put it, the question of

-
1. Memorandum, Maj Gen W. A. Wood, Jr., Acting Director, Plans and Operations, ASF, to Director, Civil Affairs Division, 25 Aug 44, with disposition sheet of 4 Sep 44 forwarding to Asst Sec of War, ASN Decinal File 370.8 Germany, DRB. SECRET

SECRET

treatment of Germany was "resolved in Quebec."¹ On the other hand, Secretary Stimson's determined opposition to the destruction of the industrial complexes of the Ruhr and the Saar appear to have constituted a major reason why provisions to this effect did not find their way into the directive. At the same time, Stimson was quite ready to accept measures which he felt really necessary for restricting Germany's war-making capacity.²

After approval in the final meeting of the ad hoc group on 22 September, the directive was submitted to the Joint Chiefs of Staff, where it was assigned the number JCS 1067. On 24 September, the JCS approved the paper for introduction as a US proposal in the Combined Chiefs of Staff, copies being furnished the theater for guidance.

The basic policy of JCS 1067 was expressed in its paragraph III as follows:

"Germany will not be occupied for the purpose of liberation but as a defeated enemy nation. The clear fact of German military defeat and the inevitable consequences of aggression must be appreciated by all levels of the German population. The German people must be made to understand that all necessary steps will be taken to guarantee against a third attempt by them to conquer the world."³

1. Memorandum, Gen Hildring to Maj Gen G. V. Strong, 18 Sep 44, CAD Decimal File 014 Germany, RG-122, DRB. SECRET
2. File memorandum by Henry L. Stimson, 9 Sep 44, CAD Decimal File 014 Germany, RG-122, DRB. SECRET
3. This and following citations are from the "Directive to SCAEF regarding Military Government in Germany immediately following cessation of organized resistance (Post-Defeat)," Enclosure "C" to JCS 1067, approved by Joint Chiefs of Staff 24 Sep 44, ASD Decimal File 370.8 Germany (Working File), DRB. RESTRICTED (Downgraded from TS by JCS memo, 19 Oct 46).

V-5

SECRET

SECRET

Allied occupation and administration was to be "just but firm and distant." Fraternization between Allied troops and Germans was to be strongly discouraged.

The Economic Directive attached to the original JCS 1067 instructed the theater commander to assume control of the German economy for specific purposes, namely:

"a. Assuring the immediate cessation of production, acquisition or development of implements of war;

"b. Assuring, to the extent that it is feasible, the production and maintenance of goods and services essential (1) for the prevention or alleviation of epidemic or serious disease and serious civil unrest and disorder which would endanger the occupying forces and the accomplishment of the objectives of the occupation; and (2) for the prosecution of the war against Japan (but only to the extent that specific directives of higher authority call for such goods or services).

"c. Preventing the dissipation or sabotage of German resources and equipment which may be required for relief, restitution, or reparation to any of the Allied countries, pending a decision by the appropriate Allied governments whether and to what extent German resources or equipment will be used for such purposes."

Except for these purposes, the theater commander was to "take no steps looking toward the economic rehabilitation of Germany nor designed to maintain or strengthen the German economy." Except as needed to accomplish the foregoing purposes, economic problems such as price controls, rationing, unemployment, production, consumption, housing and the like were to remain a German responsibility.

The Political Directive contained an extensive list of "automatic arrest" categories, the composition of which reflected

SECRET

the ideas contained in the second (5 Sep 44) version of the Morgenthau Plan. Not only were officials of the NSDAP, all political police and non-military SS members as well as high officials of the police, the SA and the Government generally to be arrested but also "Nazis and Nazi sympathizers holding important and key positions in a number of fields including semi-public corporations, industry, finance, education, the judiciary and the press. "It may generally be assumed in the absence of evidence to the contrary," continued the directive, "that any persons holding such positions are Nazis or Nazi sympathizers."

In addition to directing the dissolution of the NSDAP and the abrogation of discriminatory laws, the directive provided for the immediate removal of all members of the NSDAP and ardent supporters of Nazism from government positions (other than clerks and non-policy making functionaries) as well as from leading positions in banking, education, the judiciary and other public services. Under no circumstances were such persons to be retained for administrative convenience or expediency.

The Main Directive provided that military administration should promote the decentralization of the German political structure. So far as possible, dealings should be with municipal and provincial rather than central government officials. To this, the Political Directive added a prohibition of political activities unless authorized by the theater commander. No political personalities or groups were to have any part in determining occupation

SECRET

policies, and commitments to any political elements were to be avoided. Finally, political symbols such as even civilian parades, anthems and flags were prohibited.

Considering the various provisions of JCS 1067 in relation to one another, it is seen that while a number of major post-war problems were declared to be purely German affairs, there was no assurance that the Germans would be permitted to maintain or establish a government adequate to deal with them. In fact, the denazification provisions, which McCloy had shortly before described as "not . . . practicable," made it fairly certain that such a Government would not exist, at least during the early months of the occupation. The directive provided for the dismantling of the National Socialist apparatus but omitted any provision for encouragement of democratic forces.

The Effect of JCS 1067 on Washington Planning

JCS 1067 set the pattern for occupation planning during the coming months, not only in the War Department but in Washington generally. As shown by the record reviewed so far, the directive was not the product of established policy organs in the State or War Department. It owed much of its tone and emphasis to the achievements of the same center of policy interest that had stirred up the Handbook dispute, had promoted the Morgenthau Plan, and had gained the partial concurrence of Roosevelt and Churchill at Quebec. Some of the operations of this center have been described by Dale Clark as follows:

V-8

SECRET

SECRET

"Setting the stage for the pattern of Military Government, a group of officials in the Treasury and others near the Secretary of the Treasury had actively participated in Military Government planning to the point where officials in the State Department and officers in the Civil Affairs Division, War Department, were complaining of the necessity for clearing papers with the Treasury. A former Treasury official who occupied a key position as Director of the Finance Division of SHAEF was commonly referred to in London as a Treasury representative in uniform. Contact with his former Chief, the Secretary of the Treasury, and thence to the White House gave him a pronounced advantage in negotiations in England. Furthermore, he could draw on the work of the dependable personnel from the Treasury Department and he was able to have many former Treasury employees attached to his office. Research units in Washington, such as the Board of Economic Warfare and the Foreign Economic Administration, had worked on elaborate planning projects from the early days of the war. They helped develop the case and provided a background of facts and figures. Secretary Morgenthau, because of his personal relationship with the President, was thus the effective spearhead of an organized effort."¹

The doctrine of punitive occupation had its ideological bases in the concept of a psychotic German character, coupled with an optimistic attitude with regard to future relations between the US and the Soviet Union.² This doctrine influenced the

1. Dale Clark, "Conflict Over Planning at Staff Headquarters," Chapter X in Experiences, pp 224-25. The SHAEF officer mentioned was Col Bernard Bernstein.

2. In Germany is Our Problem, New York, 1945, Morgenthau criticizes "the minority who fear Russia, do not trust her to keep the peace," referring to the contention of a former Russian diplomat that Communism is a growing menace to American freedom, he states: "The harm in such propaganda is not so much that we read it but that we might act on it." (pp 94-96)

"... If our policy is designed to buttress Germany as a bulwark against Russia, it will do more to breed another world war than any other single measure..."

"Advocates of this blueprint of war never advance any of the grounds for supposing that America is really menaced by the spread of Communism." (p 96)

SECRET

War Department's planning for the occupation of Germany both directly and indirectly. The direct influence was via JCS 1067, the basic directive; the indirect influence may have been apparent in some of the intelligence reports that circulated in the Pentagon during the autumn of 1944, emanating from the Office of Strategic Services.

In the situation that existed in September 1944, the FEA was able to seize the initiative in economic planning for Germany. On 28 September, the President addressed to the Foreign Economic Administrator, Leo Crowley, a letter of instructions, of which paragraph (7) read as follows:

"Control of the war-making power of Germany. You have been making studies from the economic standpoint of what should be done after the surrender of Germany to control its power and capacity to make war in the future. This work must be accelerated, and under the guidance of the Department of State, you should furnish assistance in work and, when requested to do so, in personnel, by making available specialists to work with the military authorities, the foreign service, and such other American agencies and officials as participate with the United Nations in seeing to it that Germany does not become a menace again to succeeding generations."¹

Upon receipt of this letter, the FEA "set about its task of accelerating studies of German economic and industrial disarmament." These studies, which were later assigned to a series of Technical Industrial Disarmament Committees with executive officers and

-
1. 79th Congress, 2nd Session, Subcommittee Monograph No. 6, A Program for German Economic and Industrial Disarmament, A Study Submitted by the Foreign Economic Administration (Enemy Branch) to the Subcommittee on War Mobilization of the Committee on Military Affairs, United States Senate, Appendix, April 46, p 447.

SECRET

secretaries provided by the Enemy Branch of FEA, were eventually presented to Military Government, but only after the main tide of policy had turned in another direction.

The primary assumption underlying the German economic and industrial disarmament program of FEA was "that it will be a major objective of the United States after surrender to assure the undertaking by the Allies of measures designed to limit the power and capacity of Germany to make war in the future." The program was aimed at the German economy as a whole. It was "derived primarily from a recognition of the direct relationship of certain types of industrial potential and economic weapons to a national war-making power" and "prompted also by the feeling of many that the plan and practice of a completely uncontrolled or self-sufficient German industrial economy, coupled with the temperament of its people, constitute a constant menace to the peace of Europe and the world."¹ Its authors were at pains to point out that they were not bent on a "hard peace" and that they were proceeding purely from an "unemotional and scientific point of view."

As noted in the preceding chapter, President Roosevelt retreated rapidly but not unequivocally from the extreme policy expressed in the Morgenthau Plan. As Secretary Hull observed, "he did not seem to realize the devastating nature of the memorandum of September to

1. Ibid., p 380.

SECRET

which he had put his 'O.K.—FDR'."¹ But since the President failed to indicate an alternate policy, the direction set by the Morgenthau Plan and JCS 1067 continued throughout the winter of 1944-45 and the following spring.

THE ATTEMPT TO NEGOTIATE JCS 1067 AS A COMBINED DIRECTIVE

The Problem of Conflicting Policies

The original view held in Washington had been that the post-surrender military government directive should be agreed to in the European Advisory Commission and then issued to the US, British and Soviet commanders. JCS 1067 had been cast in terms permitting its adaptation for such tripartite negotiations. In the fall of 1944, however, primary attention was given to negotiating it in the Combined Chiefs of Staff as a US/UK directive to SCAEF. The working-level officials of the War Department were placed in the position of defending policies which they had not originated and which, evidently, many of them did not like. Since it was difficult to meet squarely the British arguments against the "pastoralization of Germany,"² they were forced to take recourse in subterfuges such as inflating

-
1. The Memoirs of Cordell Hull, New York, 1948, Vol. II, pp 1618-20.
 2. The repudiation of the Morgenthau Plan by the British Government was more rapid and thorough than that of President Roosevelt. It was evident that Churchill had agreed simply because Morgenthau had held out the prospect of a \$6,500,000,000 credit with no strings attached. See Hull, op.cit., pp 1615-18, Churchill, op.cit., pp 157, 240.

SECRET

technical questions into major policy issues. The British were not slow in adopting the same method of negotiation.

Actually, the British had the better of the argument. It is possible that the views of the War Office as represented by Lieutenant General G. N. Macready of the British Staff Mission in Washington might have prevailed had the War and State Departments been free to negotiate according to their own judgment. The influence of the Treasury, however, hung like a cloud over the Pentagon, the officials of which could hardly resist the constant suggestions that the Morgenthauist appraisal of the Germans might be correct after all.

The progress of JCS 1067 was also complicated by the fact that Ambassador Winant's proposed directive, together with the Working Security Committee paper entitled "Military and Political Policies to be followed in the Administration of Germany", were still pending before the Joint Chiefs of Staff. Winant's statement set forth long-term occupation policies as distinguished from the interim or immediate post-defeat policy covered by JCS 1067. It was the opinion in the War Department, however, that it would be impractical to switch from the stern policies set forth in JCS 1067 to the policies of positive reconstruction set forth by Winant.¹ The Working Security

1. As noted in Chapter 4 (p 35), the Winant Directive stated that the German people were to be assisted in establishing efficient administration and an economy providing for minimum German subsistence plus the maximum contribution to relief, rehabilitation and reparations. As a War Department memorandum (A. S. Fisher to

SECRET

SECRET

Committee paper, on the other hand, differed from JCS 1067 by authorizing anti-Nazi political activity and operation of information services under Allied supervision and by ordering removal of active Nazis only from the schools and from Government. It also provided only for arrest of the highest Nazis and of war criminals, and implied that Germans would be permitted some international travel as well as controlled continuation of diplomatic relations with neutral countries. At a meeting on 6 November 1944 in McCloy's Office it was agreed to withdraw these papers from consideration by the Joint Chiefs of Staff.¹ While it would seem normal procedure to adopt interim policies that will serve as suitable transitions to predetermined long-term policies, the decision made here was to reject the long-term policy because it did not fit the interim policy predetermined in JCS 1067.

British Objections to JCS 1967

In the meantime, JCS 1067 was introduced before the Combined Chiefs of Staff, where it was assigned the number CCS 707. The British, however, had their own plans, which were radically different from JCS 1067. As McCloy wrote after a conversation with Gen Macready

McCloy, 6 Oct 44) commented, this raised "the issue as to whether the US permanent policy toward Germany should be to restore a strong and efficient Germany which can provide reparations." Exception was also taken to the implication that there would necessarily be a German Central Government.

1. Present: Asst Sec McCloy, Gen Hilldring; Dunn, Matthews, Riddleberger and Labouisse of State Dept; Ambassador Minant. Memorandum of meeting regarding EAC, 6 Nov 44; Ltr, McCloy to Matthews, 20 Nov 44; ASW Decinal File 370.8 Germany, DRB. SECRET

SECRET

on 12 October 1944, "apparently all the King's horses and all the King's men have met in London on this subject and they are determined to have their directives prevail rather than JCS 1067." Gen Macready had been forbidden to discuss JCS 1067, even informally before the CCAG.

partly EAC
The British had switched to the position previously taken by United States officials, that post-surrender policy should be agreed between the three major powers in the CCAG. If that body failed to produce a directive in time, the pre-surrender directive (OCS 551) could be continued provisionally. In any event the US directive was too vague and in some respects faulty as compared to the detailed British papers.

The principal specific British objections to JCS 1067, as reported by McCloy, were as follows:

1. Too many people were being arrested - the Army could not cope with such a police program. The British did not, for instance, agree with a general arrest of the Waffen SS, which was considered primarily a military organization; the American felt that as elite troops they should be discredited, and that arrest was the best way to do so.
2. The British objected to closing down the schools which would put too many young people on the streets. The American view was that the schools might be a bulwark of Nazism and that supervision would be easier if they were closed down altogether and then reopened gradually.
3. The British raised a similar objection to the closing of newspapers.
4. The distinction between the use of relief to avoid "unrest and disease" under the pre-surrender directive and the "serious unrest and disease" specified in JCS 1067 was considered impractical.

SECRET

SECRET

5. The British objected to the implication that the Allies would exert control over Germany directly rather than through a German government since it would be impossible to supply a sufficient number of officers to take over the administrative machinery for Germany. This contrasted with the American view, expressed by McCloy that "there should be no Government but the Military Government" even though German functionaries might be used under control.

6. Finally, the British objected to the general tenor of JCS 1067, which left Germany entirely to her own resources even though chaos might ensue. Chaos in Germany was apt to produce chaos in Europe, and in any case no occupation army would tolerate chaos.

"Underlying the whole thing," McCloy concluded, "was the feeling that their detailed carefully-worked-out-over-the-years plan should be preserved intact and that our directive was amateurish and too vague for a soldier untutored in German administration to cope with."¹

Notwithstanding indications of British objections, the Joint Chiefs of Staff forwarded JCS 1067 to Ambassador Winant in mid-October. This was done with the approval of the President, and the draft directive was designated as the US view of general occupation policy for the period immediately following surrender. Since JCS 1067 required some modification for presentation in the EAC, it was agreed at McCloy's conference of 6 November, which Winant attended, that these revisions would be made.²

-
1. Memorandum, Asst Sec of War John J. McCloy to Col Chanler, 12 Oct 44, ASW Decimal File 370.8 Germany, DRB. The numbered items above have been summarized in greatly condensed form, not following McCloy's wording except where quoted directly. SECRET
 2. Memorandum, Col Cutter, Asst Executive to Asst Sec of War, to Lt Col Baumer, 20 Oct 44, ASW Decimal File 370.8 Germany, RESTRICTED (Downgraded from TS). Regarding 6 Nov meeting, see Note 1, p V-14.

V-16

SECRET

SECRET

In the meantime, the British sent their policy directives which they proposed to introduce in the EAC.¹ Since Gen Macready had indicated that in case of a deadlock on a new directive the British would recommend that the existing pre-defeat directive, CCS 551, be continued in effect provisionally after surrender, the Civil Affairs Division set about compiling all the reasons why this could not be done.

A brief prepared for McCloy, dated 20 October 1944, undertook to compare CCS 551 and JCS 1067 to ascertain what amendments would be necessary to make the former applicable to post-surrender conditions. In a number of cases, technical changes were necessary, but as the brief itself states, these could be dealt with in a supplementary paper extending CCS 551 to the post-defeat period. It was not possible to obscure the fact that the basic difference was one of philosophy. As the brief itself stated, "the reference in (4) [of Article I of CCS 551] to the restoration of normal conditions among the civilian population is distinctly inconsistent with the underlying theories of JCS 1067." The latter also demanded an expansion and tightening of denazification provisions including specifically "the dismissal of all Nazis from Government positions except clerks and non-policy making functionaries and the dismissal of all Nazis from leading positions in industry, banking, education, the

-
1. Memorandum, Asst Sec of War McCloy to Sec of the Treasury Morgenthau, 20 Oct 44, inclosing British directives for information and requesting return of same, ASW Decimal File 370.8 Germany.

SECRET

SECRET

judiciary and other public services." Similarly, the restoration of utilities and coal mines provided in CCS 551/5, the Economic and Relief Guide for Germany, were inconsistent with the Economic Directive of JCS 1067, "providing that no steps for economic rehabilitation of Germany will be taken except as necessary for the purposes of the occupation."¹

Another conversation between McCloy and Gen Macready took place on 23 Oct 44. Macready stated the British position that CCS 707 (JCS 1067) should not be adopted as a directive to SCAEF and that if EAC had not agreed a tripartite directive before the surrender of Germany, SCAEF should proceed under CCS 551 until establishment of a permanent tripartite organization. McCloy stated that CCS 551 and its supplements in their current language would be unacceptable as applied to post-defeat conditions in Germany. On 27 October 1944, he wrote to Gen Macready a letter setting forth US views in more detail.

The United States had agreed to CCS 551, wrote McCloy, on the assumption that during combat the purpose of Civil Affairs is to maintain peace and quiet behind the lines. Once the enemy has been defeated, the purpose of Civil Affairs becomes the administration and occupation of a conquered country in the light of agreed policies. Restoring normal conditions among the civilian population, limiting the arrest of Nazis

-
1. Memorandum for McCloy, "Analysis of CCS 551 (pre-defeat directive for Germany), 20 Oct 44, ASW Decima. File 370.8 Germany (Interim Directive File), DRB. SECRET

SECRET

and war criminals, and authorizing SCAEF to continue Nazi organizations for administrative convenience were not acceptable to the US as post-defeat policy. The relative mildness of CCS 551, McCloy continued, could only be justified on the basis of military necessity. The economic provisions, he indicated, would lead SCAEF to undertake much more responsibility for rehabilitation of German industry, reestablishment of economic life and prevention of inflation than the US view considered desirable. McCloy was willing to use the form and much of the substance of CCS 551 as a post-defeat directive if it could be suitably amended. The preparation of these amendments was entrusted to Major Grey and Captain Fisher of the Civil Affairs Division.¹

The Treasury Enters the Negotiations

The Treasury Department sought an active role in the combined negotiations on the post-surrender directive. On 1 November 1944 a high official of the Treasury handed directly to Lord Cherwell a memorandum criticizing the British draft policy directive as being too long and too much concerned with minor issues at the expense of major policy questions. The British draft, the Treasury held, failed to deal adequately with a number of subjects including elimination or destruction of heavy industry in Germany, boundaries and partitioning, disposition

-
1. Ltr, Asst Sec of War McCloy to Lt Gen G. N. Macready, Commander British Army Staff, British Staff Mission, Washington, D. C., 27 Oct 44, SECRET; and memorandum, Col Cutter to Acting Director, Civil Affairs Division, 30 Oct 44, SECRET: CAD Decimal File 014 Germany, RG-122, DRB.

SECRET

of the Ruhr, restitution and reparations, political decentralization, controls to prevent re-emergence of a powerful industrial Germany and punishment of war criminals. The British were charged with placing administrative convenience above principle, with favoring "inadequate and indirect punishments and sanctions" for infractions of occupation rules, giving the Allied commanders "too much responsibility for the well functioning of the German economy" and granting the Germans "too much political freedom." The appropriate document for immediate discussion, the Treasury considered, was the American interim directive (JCS 1067). "The failure of the British Government to present its views on this document is preventing further progress of combined discussions on the treatment to be accorded Germany."¹

The records available do not indicate the British reaction to this rather brusque memorandum. In any case, it was not long before the British Government stated its position, which Ambassador Halifax communicated by letter dated 10 November 1944 to the new Secretary of State, Edward R. Stettinius, Jr. This letter stated that the British Cabinet had given "full consideration" to the directive question and that, pursuant to the Moscow Conference agreement, the treatment of Germany was before the European Advisory Commission. At British request, the Soviet Government had agreed to give German questions priority in the

-
1. Memorandum on the British draft of Policy Directive for Germany, with reference note "Treasury Comments given to Lord Cherwell," 1 Nov 44, ASW Decimal File 370.8 Germany, DRB.

SECRET

SECRET

EAC. The British suggested that Winant circulate the US draft to the EAC, where it would be discussed together with parallel British papers. In the meantime, US-British differences could be ironed out informally. Should three-power discussion in the EAC be long delayed, the British would be willing to reach informal understanding on a US/UK document "which could, in an emergency, be convened to the United States and British Commanders-in-Chief." The British Government felt that premature Anglo-American discussions in Washington on the post-surrender directive would jeopardize the chances of success in the EAC.¹

Combined Negotiations Move Toward a Deadlock

It was clear by now that the positions of both the US and British delegations regarding JCS 1067 were taken on tactical grounds. As had been pointed out to Assistant Secretary of War McCloy by his own staff, the basic issue was one of philosophy. But because adherence to JCS 1067 had become an absolute rule, War Department officials were loath to enter an argument on general principles in which they might have been forced into an untenable position. The British too, for reasons of their own, found it better to let the disagreement rest on technicalities.

Lord Halifax's proposal was considered at a meeting on 14 November 1944 at the Department of State, attended by Stettinius, Matthews,

1. Ltr, Ambassador Halifax to Sec of State Stettinius, 10 Nov 44, "Personal and Secret," ASW Decimal File 370.8 Germany, DRB.

SECRET

McCloy and Hildring. There was no Treasury participation. McCloy stated that the War Department accepted Lord Halifax's suggestion that JCS 1067 be circulated in the EAC, provided that an interim combined directive be worked out as a reserve in case of a sudden German collapse. He had brought with him notes indicating the revisions needed in JCS 1067 to make it suitable for tripartite use, and the upshot of the meeting was that the War Department would re-draft or amend JCS 1067 accordingly.¹

For the reserve interim directive, McCloy was willing to accept either JCS 1067 or an amended CCS 551. His office had already prepared a detailed draft amending CCS 551 paragraph by paragraph and a brief justifying these changes.² The latter began with a preamble stating that CCS 551 could not be extended after the surrender of Germany without specific action by the Combined Chiefs of Staff and that since such action was necessary in any case, amendments were in order. It then analysed the Nazi groups to be arrested under the revised directive, concluding that the total of approximately 450,000 was not excessive since the capacity of German concentration camps

-
1. Memorandum of conference at State Department, 14 Nov 44, ASW Decimal File 370.8 Germany ("Revision of Policy - JCS 1067"), DRB. SECRET
 2. Amendment to Directive for Military Government in Germany Prior to Defeat or Surrender to Make it Applicable to Period Immediately following the Cessation of Organized Resistance, 8 Nov 44; untitled paper beginning "CCS Must be Revised to Make it Applicable to Post-Defeat Conditions," 11 Nov 44, ASW Decimal File 370.8 Germany (Interim Directive Working File), DRB. SECRET

SECRET

was estimated between 500,000 and 2,000,000. No attempt was made to amend the Economic and Relief Guide, CCS 551/2, it being proposed instead to substitute the Economic and Relief Guides to JCS 1067 in their entirety. This was in accord with the reassertion in the financial section of the brief that:

"The US view of economic policy is that, except where the reinstitution of business is necessary for the purposes of the occupation, the rehabilitation of the economic life of Germany is a matter for the Germans."

At the same time, according to the brief, the proposed amendment "puts into effect the theory of 1067 that, although local officials may be used the underlying authority is that of the occupying power." In other words, although the Germans were to be responsible for their own economic and financial rehabilitation, they were not to have ultimate authority to accomplish this objective.

After the 14 November meeting, McCloy suggested that there be added to the minutes of the 6 November meeting referred to in an earlier paragraph the following:

"... The US delegation in EAC will be guided by the principles stated in JCS 1067 and will not depart from the principles set out in this paper in drafting papers for presentation to EAC or representing us in discussions in the EAC. In the event that the UK or the USSR should desire in EAC to change or enlarge the provisions stated in JCS 1067 by departing from these principles and policies or by the inclusion of detailed matter, the Ambassador will transmit back to Washington the proposed changes in policy or detailed material for approval or comment."¹

1. Ltr, Asst Sec of War McCloy to H. Freeman Matthews, Deputy Director, Office of European Affairs, Dept of State, 20 Nov 44, ASW Subject Decimal File 370.0 Germany (Interim Directive Working File), DNB.
SECRET

V-23

SECRET

SECRET

This view was repeated in a meeting on 20 Nov 44 with Secretary Stettinius and other officials at which McCloy also indicated that any inconsistencies between EAC directives and JCS 1067 should be eliminated by making the results consistent with JCS 1067. As Colonel Cutter of McCloy's office added, "Consistency with JCS 1067 was the criterion employed by JCS in passing upon EAC directives."

During the latter half of November 1944 considerable attention was taken up by the Agreement on Control Machinery for Germany, which had been approved by the EAC on 14 November and which was now submitted for governmental approval. Another current problem was the establishment of the State-War-Navy Coordinating Committee (SWNCC), which was created 1 December and held its first meeting on 19 December 1944, taking over the existing Working Security Committee as an ad hoc Committee on the Control of Germany.¹ Discussions continued, however, on the revision of JCS 1067.

The prospects of British agreement to a post-surrender directive embodying the principles of JCS 1067 became increasingly dim, as British views were cabled back to Washington from the United States Embassy in London. According to a London radiogram of 15 November, the British considered that any negative program on economics and reparations must also be accompanied by a positive program. Furthermore, the

1. Preparation, pp 348, 368. The ad hoc Committee became in February 1945 the State-War-Navy Coordinating Sub-Committee for Europe.

SECRET

negative program must be enforceable, since public opinion 10 to 20 years hence might not support warlike measures of implementation.¹

A cable of 1 December stated that extreme proposals prohibiting future German economic expansion were causing anxiety in London. The practical problem was to find ways of curbing future German aggression, and it was not felt that economic measures would serve this purpose.² In the meantime, the French Ambassador in London, M. Massigli, had introduced a plan for international administration of the Ruhr and the Saar. While the British considered the Massigli Plan impractical, Whitehall was pleased that it revealed no desire for revenge or the destruction of German industry. Certain Foreign Office advisors found the plan useful as an offset to the policy of pastoralization of Germany as announced in the United States.³

It became apparent that the War Department considered adherence to JCS 1067 more important than uniform treatment of Germany. In the interdepartmental discussion of 20 November 1944, Assistant Secretary McCloy indicated that tripartite unified control of Germany should not

-
1. Cable, US Embassy London from Gallman to Sec of State, 15 Nov 44, WD CM IN 1103, 1 Dec 44, CAD Numerical File, RG-122, DRB. SECRET
 2. Cable, sender and addressee as in foregoing, WD CM IN 1113, 1 Dec 44, CAD TS Cable Book, DRB. SECRET
 3. Cables, American Embassy London to Sec of State, 9843, 11 Nov; 9977, 15 Nov; 10115, 18 Nov; 10588, 30 Nov; un-numbered, 2 Dec (WD CM IN 1290 same date); 10791, 6 Dec 44. First four cables in ASW Decimal File 370.8 Germany (long-term Policies File); last two in CAD Numerical File (TS series); DRB. SECRET

SECRET

be pressed too ambitiously. Uniformity should be required only where obtainable by mutual agreement. Except on transportation, communications and other international matters, uniformity need be obtained "only where an agreement as to policy could be reached and . . . in other matters, the several zones should be in a position to apply their own policies and views . . . On the US side, there was no intention to depart from the fundamental policies of JCS 1067.¹

Abandonment of US/UK Negotiations on JCS 1067

Although it was understood that JCS 1067 represented an "interim policy" to be superseded later by a permanent occupation policy, State Department officials began increasingly to question the authority and feasibility of the interim policy expressed therein. The differences between the War and State Departments positions are illustrated by the following excerpts from minutes of working-level meetings:

24 November 1944 - "Mr. Riddleberger . . . pointed out that he . . . had not previously regarded JCS 1067 as having quite the effect which the War Department apparently considered that it had. Mr. Riddleberger stated that he saw no occasion for discussing any revision of JCS 1067 with the Treasury except those provisions which involved matters of financial consequence for real interest to the Treasury and the financial directive. Col Cutter stated that it was McCloy's view, that as a matter of good judgment, any substantial deviations from JCS 1067 (which the War Department regarded as an agreed paper) should be reported to the Treasury for information and that, because of the agreement on JCS 1067, it was felt by McCloy that the deviations from 1067 should be as slight as possible. Both Riddleberger

-
1. Minutes of Conference at State Dept, 20 Nov 44 (present Sec of State Stettinius, Asst Sec of War McCloy, Asst Sec of Navy Gates, Gen Hilldring, Matthews and Col Cutter), ASW Decimal File 370.8 Germany ("Revision of policy - JCS 1067"). DRB. SECRET

SECRET

SECRET

and Col Cutter agreed that it was beyond the function of the Working Committee to determine what consultations with the Treasury would be in order . . .

"Some discussion of the first eight paragraphs of the Political Directive followed, but this was very brief. It was pointed out that there was a very real difference of view point in paragraph relating to denazification."¹

25 November 1944 - "Most of the discussion centered around paragraph 1(g) of the redraft of the Political Directive submitted by the State Department. Paragraph 1(g) was comparable to paragraph 1(f) of JCS 1067...The State Department's attitude upon these provisions is that there should not be an automatic arrest of people in public positions merely by reason of membership in the Nazis. They feel only special categories of Nazis should be selected for arrest on the grounds of their occupancy of a particular government, civic or industrial position. They feel that wide, wholesale arrests will inevitably result in taking from circulation persons who should be relied upon for the reformation of the German Government. They also feel to select only persons holding positions which have nominal and apparent importance for arrest would disregard Nazi agents cloaked with anonymity, utilized by the Nazi Party as methods of controlling particular government or industrial agencies or organizations. There is apparent strong resistance in the State Department to the de-Nazification provision contained in JCS 1067 on the asserted ground that it is unscientific and unreasoning.

...

"Col Cutter pointed out that both Mr. McCloy and General Hildring felt very strongly that JCS 1067 provisions on de-Nazification should be retained in their present form, with possible improvement to result in the doing of a more thorough job. Colonel Cutter stated that General Hildring felt that the job of 'de-lousing' was one which was an Army responsibility, that he felt it unwise to temporize with Nazis in any form and that administrative headaches resulting from a stringent policy would be a worry to the Army and need not concern other Departments. He also pointed out that this particular language had been the subject of agreement with Treasury and that any substantial change in it would necessarily be brought to Treasury's attention, and it was therefore in the interest of expedition and a sound reason for adhering to the language of JCS 1067, unless there was strong objection to it.

-
1. Memorandum of Meeting on Revision of JCS 1067 at State Dept, 24 Nov 44 (Sr State Representative Mr. Riddleberger, Sr War Dept Representative Col Cutter), ASW Decimal File 370.8 Germany, DRB. SECRET

SECRET

SECRET

"... Each group agreed to attempt to consider the views of others and to produce some possible solution, but Colonel Cutter and Mr. Riddleberger both pointed out that the views of their respective seniors on the point were very firm and they respectively have no authority to agree to any departure from the language, the adoption of which they specifically urged."¹

The provision of JCS 1067 under dispute in the foregoing argument (paragraph 1(f) provided for arrest of Nazi and Nazi sympathizers holding important and key positions in national and Gau (district) and civic and economic and other similar public organizations, as well as industry, finance, education, the judiciary and informational media. It was to be assumed that persons holding such positions were Nazis or Nazi sympathizers in the absence of evidence to the contrary. The State Department provision limited arrest to persons who have participated extensively in the affairs of the Nazi Party and who had held important and key positions in approximately the same list of activities. The discrepancy between these policies was referred to a higher level. Agreement on the working level was, however, reached on a provision authorizing the theater commander to utilize whatever German agencies might serve military government purposes but directing maximum use and strengthening of local, municipal and regional administrative organs. It was also agreed that subject to Control Council policies for national functions and activities, military government administration would be the sole responsibility of each commander-in-chief in his zone.

-
1. Minutes of Meeting on Revision of JCS 1067 at State Dept 25 Nov 44 (Sr participants as in foregoing), ASW Decimal File 370.8 Germany, DRB. SECRET

SECRET

At a higher-level meeting held by Asst Secretary of War McCloy on 8 December with Mr. Dunn (who became Asst Secretary of State on 20 December), Messrs Matthews and Riddleberger, Gen Hildring and Adm Davidson of the Navy, Col Cutter was able to report that substantial State-War-Navy agreement on the revision of JCS 1067 had been reached in the Working Group. It was agreed that further clearance of the revised JCS 1067 with the Joint Chiefs of Staff was not necessary, since the changes were not substantial, but that the Financial Directive should be cleared with the Treasury. The main subject of this meeting, however, was the desirability of expediting consideration of major policies in the European Advisory Commission, at the same time discouraging that body from issuing detailed directives that would hamper the Theater Commander. As things stood, Ambassador Winant had already received some 16 directives forwarded with JCS approval. The Meeting agreed that only those directives or parts thereof containing "pure general policy" should be submitted in the EAC.¹ It was agreed to request Winant to promote in the EAC an overall directive along the lines of JCS 1067, a revision of which would be sent shortly. If agreement on a single directive could not be secured, there was no objection to splitting JCS 1067 into several, provided each were a broad policy statement consistent with JCS 1067 and not too detailed.²

1. Memo of Conference in McCloy's Office, 8 Dec 44, ASW Decimal File 370.8 Germany, DRB. CONFIDENTIAL
2. Cable US Urgent 10371, Dept of State to AmEmbassy London, 12 Dec 44, ASW Decimal File 370.8 Germany (Interim Directive File), DRB. SECRET

SECRET

SECRET

At an internal War Department meeting on 27 December 1944, McCloy noted that doubts had arisen concerning the laissez faire philosophy of the Economic Directive. He suggested, nevertheless, that the draft be put forward "as representing one extreme position" since the British would certainly advocate considerably more interference and control in German economic affairs. Since JCS 1067 had been agreed by the State, War and Treasury Departments with approval of the President, it would cause considerable delay to clear substantial changes. It was best to forward the directive with the idea that further modifications could be made later. This view was seconded by Gen Hildring who urged forwarding the directive to Ambassador Winant "at the earliest possible moment, tonight if possible." The revised text of JCS 1067 was agreed by SWNCC on 6 January 1945 and was forwarded by the Department of State to Ambassador Winant on 13 January of that year.¹

In the meantime, the attempt to negotiate JCS 1067 in the Combined Chiefs of Staff as a US/UK Directive to SHAEF was quietly abandoned. In answer to a London inquiry on the status of these negotiations, the State Department wrote that although the War Department attached great importance to the Revised 1067, it was no longer the intention to obtain CCS approval of that document. This information was transmitted to Ambassador Winant late in January 1945.²

1. Memo of Conference in McCloy's Office 27 Dec 44, ASW Decimal File 370.8 Germany, DRB. CONFIDENTIAL; State Dept instruction to AmEmbassy London, 13 Jan 45, Circulated for info 17 Jan. The version of JCS 1067 forwarded at this time is known as JCS 1067 (Revised).
2. Cable 11453, Murphy London to Secretary of State, 27 Dec 44, with State and War Dept drafts of reply thereto. ASW Decimal File 370.8 Germany ("Revision of policy - JCS 1067"), DRB. SECRET

V-20

SECRET

SECRET

EFFECTS OF JCS 1067 ON THEATER PLANNING

Mixed Reactions to JCS 1067 in the Theater

The original version of JCS 1067 reached SHAEF through State Department channels within a day or two after approval. The War Department sent another copy to Gen Eisenhower on 4 October 1944. General Walter Bedell Smith, Eisenhower's Chief of Staff, expressed an enthusiastic opinion, cabling on 27 September to Assistant Secretary McCloy:

"... This is the most encouraging and helpful document that we have seen in a long time, and will enormously strengthen our hand if the United States Chiefs of Staff support it and see it through. I will explain to Hildring when he arrives some of the difficulties we have been encountering, and he will report to you. In the meantime, I wanted you to know the pleasure it has given everyone in this headquarters who is concerned in the problem to realize that the United States is taking a practical view of the situation which is likely to exist as we see it now."¹

By no means everyone at theater headquarters was as pleased with JCS 1067 as was Gen Smith. Within the US Group Control Council, the agency primarily responsible for post-surrender planning on the theater level, there soon developed such resistance that reorganization, personnel changes and indeed a temporary immobilization of USGCC were necessary to secure enforcement.

As Dale Clark notes in his analysis of this episode, the loose phraseology of JCS 1067 invited conflict between the partisans of the

-
1. Cable FWD 16012 (from SHAEF from Smith to War Dept EYES ONLY for McCloy, 27 Sept 44, ASW Decimal File 370.8 Germany, DRB. CONFIDENTIAL (downgraded from SECRET) Info on 4 Oct dispatch furnished by Departmental Records Branch.

SECRET

Morgenthau Plan and those who opposed it. Written comments submitted by division chiefs of USGCC in October 1944 pointed out that an unduly repressive policy would paralyze the German economy, lay a basis for chaos, discontent and political radicalism, complicate denazification, and even violate the principles of military necessity and enlightened self-interest.¹ The Economic Division of USGCC commented in a Secretariat memorandum of 25 November 1944, "JCS 1067 does not meet the needs of the Economic Division properly to plan for or carry out a sound program in the occupation of Germany."²

So well recognized was the "Revolt of the Division Chiefs" against the Spirit of Quebec embodied in JCS 1067 that measures were taken to bring them into line. Visiting officials came from Washington to observe and report on compliance, and the divisions were required to rewrite their plans. Whereas earlier plans in the Handbook had assumed the existence of reorganized central German agencies, the official interpretation given JCS 1067 anticipated eventual partitioning of Germany. Yet, the Morgenthauists argued, the United States would not assume moral responsibility for results, since the Germans were responsible for all that had happened. "(T)he new line, which was frankly attributed to Washington, was tenaciously held. Its key exponents at headquarters,

-
1. Dale Clark, "Conflict Over Planning at Staff Headquarters," Chapter X in Experiences, p 229.
 2. Memo of comment pursuant to Planning Directive No. 3, 25 Nov 44, JCS 1067 Correspondence, OMBUS AG File, KCRG.

SECRET

SECRET

who claimed to be accurately informed regarding high policy decisions, repeated concepts and even phrases which could be recognized when the secret Morgenthau memorandum for Germany was later made public."¹

Gen Hilldring did not comment on this disagreement in his report on the inspection that he made in the theater during October 1944. It may be concluded, however, that he was satisfied with the administration of policy by Gen Smith, since "after reconnaissance and discussion," he favored that General for the position of Chief Deputy to the US Commander in Germany after establishment of Tripartite Government and Military Head of the US section of the Control Council in Berlin.²

The denazification provisions of JCS 1067 caused considerable difficulty for the theater planners. At the USGCC Directors' meeting of 22 December 1944 it was said that "the numbers we are asked to arrest is embarrassing," and that some arrangement must be made whereby personnel could be left in the ministries. At the 22 January 1945 meeting it was pointed out that rigorous application of the denazification principle would require a large number of Americans to replace the Germans separated from their jobs. Although the planning difficulties were brought to the attention of the Department of State, Secretary Stettinius had

-
1. Clark, Experiences, 230. This entire paragraph is a summary of Mr. Clark's account.
 2. Report of Gen Hilldring's Inspection Trip to Europe, Mimeographed notes for internal circulation within CAD, 1 Nov 44, para 40, CCAC Records, RG 999, DRB. SECRET

SECRET

SECRET

written on 6 January 1945 that there would be no alteration in policy, and that removal of Nazi influences would be stricter in Germany than the policy pursued with respect to Fascists in Italy.¹

A difficulty that emerged later was that the planners in the theater did not always have the latest version of JCS 1067. Although the Department of State sent the 6 January 1945 revision of JCS 1067 to Ambassador Winant on 13 January, no record was found of its reaching the US Group Control Council until 21 February. On that date Brigadier General Vincent Meyer, Military Advisor to the EAC, notified General Wickersham that Ambassador Winant had received the revised directive and sent him nine copies for the information of the USGCC. The record also indicates that on 23 February 1945 the Revised JCS 1067 was circulated to USGCC Division Directors with instructions under no circumstances to show it to anyone outside USGCC. On 5 April 1945 Lieutenant Colonel J. B. Moore III, Acting Secretary of the General Staff of SHAEF, wrote to USGCC stating it had been learned that USGCC had the Revised JCS 1067 and requesting a copy for the information of the US officers of SHAEF.²

1. Citation from History, Office of Military Government for Germany (US) (USGCC) to May 45, OMGUS Historical Office. RESTRICTED
2. Correspondence as indicated from OMGUS AG File, JCS 1067 Correspondence KCRC. Also History, Office of Military Government for Germany (US) (US Group Control Council) to May 1945, by OMGUS Historical Office, p 16. In view of the combined nature of SHAEF, it is possible that circulation of the Revised JCS 1067 was withheld under the rule not to furnish the British with any US drafts that were not already in the EAC on which the Soviet Union was represented or that would tend to establish a "United US/UK Front on policy." See Minutes, USGCC Directors' Meeting, 5 March 1945. JCS 1067 (Revised) had, however, been sent to Ambassador Winant for the specific purpose of introduction to the EAC.

SECRET

It is apparent that the "basic preliminary plan" for Allied Control and occupation of Germany during the Control Council period, issued by USGCC on 15 February 1945, was prepared on the basis of the earlier and not the 6 January version of JCS 1067.

Revision of the SHAEF Handbook

Shortly after the dispatch of JCS 1067, the Combined Chiefs of Staff sent an agreed cable, FACS 93 of 7 October 1944. This message gave exact instructions for the rewriting of the SHAEF Handbook but permitted limited interim distribution of the existing edition with a flyleaf as follows:

"1. No steps looking towards economic rehabilitation of Germany are to be undertaken except as may be immediately necessary in support of military operations. In accordance with this policy the maintenance of existing economic controls and anti-inflation measures should be mandatory upon the German authorities not permissive as in the present edition of the Handbook.

2. No relief supplies are to be imported or distributed beyond the minimum necessary to prevent disease and such disorder as might endanger or impede military operation.

3. Under no circumstances shall active Nazis or ardent sympathizers be retained in office for the purposes of administrative convenience or expediency. The Nazi Party and all subsidiary organizations shall be dissolved. The administrative machinery of certain dissolved Nazi organizations may be utilized when necessary to provide certain essential functions, such as relief, health and sanitation, with denazified personnel and facilities."¹

This cable reflected the influence of the Morgenthau Plan on JCS 1067, and was based on a US draft that had been sent to SHAEF for information

-
1. Cable, Priority, WX 42411 (FACS 93) from War Dept from Combined Chiefs of Staff to SHAEF for Eisenhower, 7 Oct 44, SHAEF SGS Decimal File 461 Germany, Vol 1, RG 910, DRB. SECRET (downgraded from TS)

SECRET

on 13 September 1944.¹ The second sentence of paragraph 1 had evidently been inserted at British insistence, and illustrates the use of the reasoning of JCS 1067 to justify a policy that was the opposite of that contemplated in JCS 1067.

By December 1944 the SHAEF Handbook had been revised in compliance with FACS 93. Basic military government policy was summarized in Chapter I of the December edition of the Handbook as follows:

"The Supreme Commander has established the following as the primary objective of Military Government:-

- (a) imposition of the will of the Allies upon occupied Germany.
- (b) care, control and repatriation of the United Nations displaced persons and minimum care necessary to effect control of enemy refugees and displaced persons.
- (c) apprehension of war criminals.
- (d) elimination of Nazism, Fascism, German militarism, the Nazi hierarchy and their collaborators.
- (e) restoration and maintenance of law and order, insofar as the military situation permits.
- (f) protection of United Nations property, control of certain property, control of certain properties and conservation of German foreign exchange assets.
- (g) preservation and establishment of suitable civil administration to the extent required to accomplish the foregoing objectives.

In attaining these primary objectives, the following basic principles will be observed:

-
1. Cable, Hilldring sgd Marshall to Eisenhower personal for Holmes, WAR 29982 of 13 Sep 44, ASW Decimal File 370.8 Germany, DRB. SECRET (downgraded from TS).

SECRET

(i) No steps looking toward economic rehabilitation of Germany are to be undertaken except as may be immediately necessary in support of military operations.

(ii) No relief supplies are to be imported or distributed for the German population or for displaced enemy or ex-enemy nationals beyond the minimum necessary to prevent disease and such disorder as might endanger or impede military operations.

(iii) Under no circumstances shall active Nazis or ardent sympathizers be retained in office for the purpose of administrative convenience or expediency.

(iv) Although the Nazi Party and all subsidiary organizations will be dissolved, administrative machinery of certain dissolved organizations may be used when necessary to provide essential functions, such as relief, health and sanitation, with non-Nazi personnel and facilities.

(v) Germany will always be treated as a defeated country and not as a liberated country."¹

A dilemma was caused by the fact that numerous specialized "Guides" were in circulation, which had been prepared in Washington and incorporated policies conflicting with JCS 1067. These "Guides" contemplated more interference in German economic affairs than was contemplated by the Economic Directive of JCS 1067, and also assumed existence of more of the German administrative structure than was now expected to exist immediately after defeat. After an exchange of memoranda between the War and State Departments, a telegram was prepared pointing out that the "Guides" dated from the spring of 1944 and that present policy, both for combined and for later tripartite operations, was stated in JCS 1067.

1. Handbook for Military Government in Germany, Prior to Defeat or Surrender, issued by SHAEF, Loose-leaf, Preface dated Dec 44, CAD Files, RG 122, DRB. (formerly RESTRICTED)

SECRET

Personnel were advised to follow the Guides only insofar as policy on which they were based agreed with formal directives.¹

Writers of later theater manuals tended to avoid difficulties by disclaiming any intent to state policy. The SHAEF Manual for administration and Local Government in Germany, which was issued late in 1944, restricts itself to "factual material which will be useful to Military Government Officers in carrying out the instructions and policies set forth in the Handbook for Military Government." "This Manual contains no policy or instructions and should be relied upon only for information."²

Theater Planning on Governmental Structures Under JCS 1067

A basic problem facing theater military government planners was that of central German government. If a central government should still exist at the time of surrender, would the Allies permit it to continue, and in what form? Conversely, if the central government had completely disintegrated, what steps would the Allies take to replace it?

JCS 1067 had answered this question only in an indirect fashion. Paragraph 11 of the basic directive of 24 September reads:

-
1. Memo, Asst Secretary of War McCloy to Director, CAD; also ltr, McCloy to Matthews of State Dept, 12 Feb 45 citing cable WAR 30704 of 31 Jan 45. ASW Decimal File 370.8 Germany, DRB.
CONFIDENTIAL
 2. Quoted from Galley Proof of SHAEF Handbook, title as cited, from SHAEF Records, RG 910, DRB. (formerly RESTRICTED)

SECRET

SECRET

"Military administration shall be directed toward the promotion of the decentralization of the political structure of Germany. In the administration of areas under your command all dealings insofar as possible should be with municipal and provincial government officials rather than with Central Government officials."¹

A limited degree of guidance was given to the theater by means of copies of a letter from the Secretary of War to the Secretary of State, delivered on 2 January 1945 with the concurrence of the Secretary of the Navy. This letter suggested that upon United States approval of the EAC document setting up control machinery for Germany, certain views be expressed to the governments of the United Kingdom and the Soviet Union, including the following:

"The United States does not at present consider it probable that there will be a German Government or other central administrative authority in existence at the time of the surrender or for a considerable period thereafter, which it would be practicable or desirable for the Control Council to deal with as the central German authority or administration. Therefore, planning should not proceed solely on the basis that such an accessible central authority will exist but should proceed with full recognition that many different circumstances may be encountered."²

The letter went on to suggest that the Control Council, under instructions from the three governments and considering conditions as existing at the time of surrender, determine what central administration

-
1. JCS 1067, Directive to SCAEF regarding Military Government in Germany immediately following cessation of organized resistance (post-defeat) draft approved 24 Sept 44, ASW Decimal file 370.8 Germany (Working File), DRB. RESTRICTED (downgraded from TS)
 2. Ltr, Secretaries of War and Navy to Secretary of State, dtd 27 Dec 44, delivered 2 Jan 45, para 1 WDSCA Decimal File 091, Germany, RG 110, DRB. SECRET

V-39

SECRET

SECRET

in Germany should be continued, what central administrative organs not then existing should be created and finally the nature and scope of functions, authority and operations of such central administrative structures. Although intergovernmental agreement on major policy problems was highly desirable, the letter stated, separate planning on a zonal basis must proceed while such agreement was being sought.¹

The principles of the War-Navy letter of 27 December 1944 were reflected in the USGOC "basic preliminary plan" of 15 February 1945. This plan provided (Para. 23) that control of the German Ministries and other central agencies including questions of abolition, reorganization or use as administrative agencies would be for determination by the Control Council. Pending agreement among the occupying powers, the US representative would be guided by the decentralization and denazification policies of JCS 1067. Only such German national ministries and central agencies or their functions would be retained as were needed to enforce the surrender terms, to maintain law and order, to control Germany in accordance with established policies and to assure the security of the occupation forces. All other ministries would be abolished or their functions decentralized. Tab C of the plan gave a list of the ministries and central agencies with instructions for dealing with each: The Ministry of Armaments and War Production, for instance, would be abolished whereas the Ministries of Posts and of Transport would be

1. Ibid. Paras. 2 and 3

SECRET

SECRET

retained with most of their functions; the Ministry of Economics would be decentralized except for its statistical and export-import control functions and its regulation of electric utilities.¹

Upon receipt of JCS 1067 (revised), Gen Wickersham, the Deputy in charge of the United States Group Control Council, directed the Civil Service and Local Government Branch, Internal Affairs and Communications Division, of the USGCC to develop a plan of decentralization of the political structure of Germany as contemplated in paragraph 10 of the revised directive.² This plan was then referred to a Special Advisory Committee on Decentralization, the responsibility of which was to interpret and apply the reasoning behind the decentralization provisions of the revised JCS 1067. The entire project involved a possible revision of the allocation of functions to levels of government as contemplated in the USGCC Basic Preliminary Plan.³

The conclusion reached by the Special Advisory Committee on Decentralization was "that the changed provisions of JCS 1067 (revised)

-
1. USGCC, Basic Preliminary Plan, Allied Control and Occupation of Germany, Control Council Period, 15 Feb 45, p 19 and Tab C; OMUS Records, KCRC. SECRET (downgraded from TS)
 2. JCS 1067 (Revised) is still Top Secret, no action yet having been taken on a request for downgrading.
 3. Memoranda, by A. H. Onthank, Acting Chief of Civil Service and Local Government Branch, Subj: "Decentralization Study," dtd 21 Feb 45, and Memo, Brigadier General C. W. Wickersham to SCAEF for ACOS G-5 (US element), same subj, 24 Feb 45, OMUS JCS-1067 File KCRC.

V-41

SECRET

SECRET

did not affect the basic study to be made although there might be some effect on the criteria which would be framed as a result of interpreting that directive.¹ The Final Report of the Special Advisory Committee for Decentralization of USGCC, presented 23 March 1945, recommended that central German agencies be retained for international affairs, essential matters of a national character such as currency and patents and for activities which would be destroyed by decentralization such as archives. Other agencies would be decentralized to the State or local level of Government.²

Difficulties of Theater Occupation Planning

The uncertainty and discord among Washington policy makers, combined with the restrictive interpretation placed upon CCS 551/2 by PACS 93, resulted in a certain shapelessness in the instructions issued from SHAEF. As Brigadier General Frank J. McSherry, Deputy G-5 of SHAEF, commented to Gen Hildring about the SHAEF Handbook and Directives:

"It has appeared to me that these instructions are not definite or specific enough to insure that the Military Government detachment officers would not vary widely in their application. For example, in our food directives, we stated that the German population is not to be given any food. One Division Commander allowed his messes to turn over to the Buergermeister any scraps of food which normally went into the garbage pail for the purpose of feeding the poor people of the town. Another Division Commander interpreted our instructions in such a way that he directed that all garbage be buried in order that the Germans could not feed their pigs, thereby receiving food from Allied sources."

1. Progress Report of Special Advisory Committee on Decentralization, 27 Feb 45, OMGUS JCS-1067 File, KCRC. SECRET
2. USGCC Planning Directive No. 22, 5 Apr 45, KCRC. SECRET

V-42

SECRET

SECRET

Gen McSherry proposed to hold meetings of SHAEF Division Chiefs to develop more specific instructions. But as he pointed out the frame of reference was limited to "what would be necessary for the military service and for civilians to prevent disease and disorder which might affect military operations."¹

On 3 March 1945, following a visit with Leon Henderson in the Theater, Gen Smith sent to Gen Hilldring some comments on theater occupation planning, which (greatly condensed) were as follows:

1. JCS 1067 seemed "a very sound document" which had been and would be used as a "Bible" barring further instructions.
2. The question whether the Treasury Department had usurped functions of the State Department or vice versa was of minor importance.
3. While direction of USGCC had been satisfactory, there was a need for high quality civilian personnel.
4. It was of highest urgency to appoint the military government deputy to the theater commander and the Chief of the USGCC Economics Division.
5. The main problem from that time on would be civilian supply.²

-
1. Ltr, Brigadier General Frank J. McSherry, Deputy Asst Chief of Staff, G-5 SHAEF, to Major General J. H. Hilldring, Director, CAD, War Dept, CAD Decimal File 014 Germany, RG 122, DRB. SECRET
 2. Ltr, Gen W. B. Smith, C/S, ETOUSA, to Gen Hilldring, 3 Mar 45, CAD Decimal File 014 Germany, DRB. Gen Smith's comments are given here in greatly condensed form. SECRET

V-43

SECRET

SECRET

Combined post-surrender planning in the theater was somewhat facilitated after issuance of a British draft post-surrender directive to SHAEF, paralleling the US draft (JCS 1067) in its arrangement of material. Insofar as the papers were in agreement, it was assumed that the forthcoming CCS post-surrender directive would follow them. There remained, however, important areas in which British and American policy still had not been reconciled.

Nor were all Americans in the Theater reconciled to American policy. If they had been, it would not have been necessary for Gen Wickersham to circulate the following communication, which is quoted in its entirety:

"1. The importance of JCS-1067 as an expression of U.S. policy, and the necessity of following the letter and spirit of it in our planning, has been called to your attention on frequent occasions. In this connection, the following is quoted from a recent letter from General Hildring, Director of Civil Affairs Division of the War Department:

'I have sensed a lack of willingness among certain of our people in London to accept and follow the clearly laid down policies established in Washington on the highest levels.

'I would like to suggest that you employ every means to make certain that the officers under your command understand that the policy of the United States with respect to the military government of Germany is presently laid down in J.C.S. 1067, and must be followed in letter and in spirit. It is particularly important that your officers should be advocates of 1067 and under no circumstances critical of its policies.

'There is no friction or discord between the Departments of the Government back home on these issues, and, so far as I know, no differences between responsible U.S. officials in London and their home agencies. I am sure you will agree with me that any public impression to the contrary would be disastrous to our cause.'

V-444

SECRET

SECRET

"2. It is desired that the foregoing information be brought to the personal attention of every officer in your Division. The importance of JCS-1067 will be re-emphasized to the end that they will become thoroughly indoctrinated with the full understanding that this document is not merely to be followed in our planning, but that each officer must be a sincere advocate of 1067, and under no circumstances critical of its policies.

"3. It is further desired that new officers reporting for duty be given similar indoctrination, so that it cannot be said that any member of this Command does not give full and active support to JCS-1067, and to all other approved U.S. policies."

This memorandum illustrates the problem involved when, for whatever reason, government headquarters adopts a basic policy that is unacceptable to military government officers in the field.

IMPLEMENTATION OF YALTA -- THE INFORMAL POLICY COMMITTEE ON GERMANY

The Yalta Conference of 4-11 February 1945 resulted in several agreements on Germany. The Protocol of Proceedings, signed by Secretary of State Stettinius and Foreign Ministers Molotov and Eden, contained policy statements providing for possible dismemberment of Germany (discussed in the final section of this chapter), allocating a zone of Germany to France, and admitting France as a member of the Control Council. A declaration on Poland provided that the Eastern frontier of that country should follow the Curzon line with digressions in some regions of five to eight kilometers in favor of Poland. As

1. Memo. Brigadier General C. W. Wickersham, Acting Deputy to Division Directors of USGCC, 17 Feb 45 (mimeographed), OMGUS JCS-1067 File, RGDC. RESTRICTED (downgraded from SECRET)

SECRET

SECRET

compensation, Poland would receive "substantial accessions of territory in the North and West. The final delimitation of the Western frontier of Poland should await the Peace Conference."¹

A supplementary Protocol on German Reparations, signed by Churchill, Roosevelt and Stalin, provided for removal of industrial, transport and similar equipment within two years after surrender and mainly for the purpose of destroying the German war potential, deliveries from current production for a period to be fixed, and use of German labor. A three-power Allied Reparations Commission in Moscow was charged with working out a detailed plan for exaction of reparation from Germany. The Soviet suggestion that reparations total 20 billion dollars, and that half of this go to the Soviet Union, was accepted as an initial basis for discussion.²

On 28 February 1945 President Roosevelt addressed to Secretary of State Stettinius the following memorandum:

"I desire that you, as Secretary of State, assume the responsibility for seeing that the conclusions, exclusive of course of military matters, reached at the Crimea Conference, be carried forward. In so doing you will, I know, wish to confer with other officials of this Government on matters touching upon their respective fields. I will expect you to report to me direct on the progress you are making

1. The Crimean (Yalta) Conference, Feb 4-11, 45, Protocol of Proceedings; Dept of State Press Release 239, 24 Mar 47, reprinted in Decade, 27-32.
2. Decade, 32-33, reprinted from Dept of State Press Release 239 of 24 Mar 47.

V-46

SECRET

SECRET

in carrying the Crimea decisions into effect in conjunction with our Allies."¹

The President followed this action with an identical memorandum of 12 March 1945 to the Secretaries of War, Navy and Treasury and the Foreign Economic Administrator, enclosing the 28 February memorandum and indicating that Secretary Stettinius would "wish to tell you personally of those decisions of the Conference which are of interest to you in connection with your duties."² This correspondence led to the establishment of the Informal Policy Committee on Germany (IPCOG) and to a major argument concerning the Committee's function.

The Informal Policy Committee on Germany was established at a meeting held by Secretary of State Stettinius in his office on 15 March 1945, and consisted of the following members:

State Department

William L. Clayton, Assistant Secretary of State
(Chairman)

War Department

John J. McCloy, Assistant Secretary of War

Navy Department

Ralph A. Bard, Under Secretary of the Navy
Artemus L. Gates, Assistant Secretary of the Navy for Air

Treasury Department

Henry Morgenthau, Jr., Secretary of the Treasury
Harry D. White, Assistant Secretary of the Treasury
Frank Coe

-
1. Reprinted in American Policy in Occupied Areas, Dept of State publication 2794, Washington, 1947, p 3.
 2. Ibid., p 4, entire memorandum reprinted

V-47

SECRET

SECRET

Foreign Economic Administration
Leo Crowley, Administrator
H. H. Fowler"

It was later agreed that the secretariat of the State-War-Navy Coordinating Committee would serve IPCOG.

On 27 March 1941, Assistant Secretary of War McCloy wrote to Assistant Secretary of State Clayton that he felt, after thinking the matter over, that the establishment of IPCOG had been a mistake. SWNCC, he pointed out, had been established to coordinate and facilitate politico-military activities of the State, War and Navy Departments, and Germany was one of its principal subjects. It had taken time and effort to obtain recognition and understanding of SWNCC and to develop efficient communications with JCS and other interested agencies. McCloy feared that assigning SWNCC's German functions to a separate committee would cause confusion. "I am convinced," he wrote, "that organizational difficulties can be avoided and the maximum use made of trained personnel if the proposed policy committee on Germany is fitted into the existing State-War-Navy Coordinating Committee structure."

While McCloy agreed that economic and fiscal agencies should participate in making policy on Germany, he recommended that this be accomplished by including FEA and the Treasury on the European Subcommittee of SWNCC when German problems were being considered. He suggested further that Clayton and the Treasury and FEA members of the German Committee be appointed members of SWNCC to sit when the latter considered economic

V-48

SECRET

SECRET

problems relating to the treatment of Germany. McCloy felt that problems of policy and procedure could be considered simultaneously.¹

In his reply of 28 March, Clayton pointed out that IPCOG had been established in compliance with the President's Directive of 28 February, the Treasury and the Foreign Economic Administration having been included because of their interest in certain aspects of the treatment of Germany. Since SWNCC was a permanent Committee dealing not only with current problems but also long-range political and strategic questions, it was the feeling in the State Department that membership thereon should be strictly limited to the three departments directly concerned. IPCOG was therefore set up to permit Treasury and FEA participation in considering those German problems in which they have a proper interest. "We feel, and hope that you will agree, that this new Committee should replace SWNCC but solely on questions concerning the treatment of Germany."²

The following day, McCloy again wrote Clayton urging that he change his mind. After long efforts, he stated, satisfactory political-military

1. Ltr, Asst Sec of War McCloy to Asst Sec of State W. L. Clayton, 27 Mar 45, ASW Decimal File 370.8 Germany, DRB. Note that McCloy's proposal would restrict Treasury and FEA representation on SWNCC itself (though not the European Subcommittee) to discussions of economic problems of Germany, thus excluding by definition political problems such as denazification.
2. Ltr, Asst Sec of State Clayton to Asst Sec of War McCloy, 28 Mar 45, ASW Decimal File 370.8 Germany, DRB.

T

[illegible]

Abstract

4. 49

2004

SECRET

getting into action. The State Department had no intention of setting up special committees to deal with other areas.

This letter appears to have closed the discussion, since on 4 April 1945 Gen Hildring reported to McCloy (who was visiting Gen Eisenhower at theater headquarters) that Assistant Secretary of State Clayton had "decided in favor of the German Interdepartmental Committee being outside of SWNCC."¹ The first official meeting of IPCOG was held on 15 April 1945.

FINAL REVISIONS OF JCS 1067

Discussions on the revision of JCS 1067 had continued without interruption, even during the formation of IPCOG. The State Department sent to the President on 10 March 1945 a top secret draft directive which the President approved.² This draft was not considered fully satisfactory; certain War Department officials felt that it limited too much the powers of the Allied Control Council and that the denazification provisions were inadequate.³

It was also considered impractical to issue detailed directives, proclamations and orders through the European Advisory Commission. Gen

1. Ltr, Asst Sec of State Clayton to Asst Sec of War McCloy, 31 Mar 45, ASW Decimal File 370.8 Germany, DRB; Calhe, CM-OUT 63446, Hildring sgd Marshall to Eisenhower (personal) for McCloy, 2 Apr 45, CAD Numerical File. RG 122, DRB. SECRET

2. Downgrading still pending.

3. Draft Memorandum by Col Marcus, "Comments on Similarly Numbered Paragraphs of Proposed Revision of Draft Directive for the Treatment of Germany," 10 Mar 45. ASW Subject Decimal File 370.8 Germany, DRB. SECRET

SECRET

Eisenhower, it was argued, should be furnished a revised JCS 1067, containing broad policy guidance supplementing whatever might emanate from the FAC. As the result of further discussions, a policy statement was prepared and initialed by high officials of the State, War and Treasury Departments and approved by the President on 23 March 1945. The memorandum of approval withdrew the approval previously given to the draft directive dated 10 March 1945. While the policy statement of 23 March 1945 was much shorter than JCS 1067 and in no sense a substitute for that document, it was intended that the principles contained therein be observed in the further revision of JCS 1067.

The summary of 23 March 1945 began by asserting the paramount authority of the Allied Control Council for Germany, the agreed policies of which would be carried out by each zone commander. In the absence of such agreed policies, and in purely zonal matters, the zonal commander would exercise his authority under directives from his own government.

The administration of Germany would be directed toward decentralization of the political structure and of the economy, save for permissive establishment of a limited number of central agencies.

The economic sections of the summary were based on the premise that Germany's ruthless warfare and fanatical Nazi resistance had made chaos and suffering inevitable. Controls might be imposed on the German economy only as necessary (a) to carry out programs of industrial disarmament and demilitarization, reparations, and relief for liberated areas as prescribed

V-52
SECRET

SECRET

by appropriate higher authority and (b) to assure goods and services needed for the occupying forces and displaced persons in Germany, and essential to prevent starvation or such disease or civil unrest as would endanger the occupying forces. As in the case of JCS 1067, it was not clear whether this limitation applied only to controls exercised by the Allies or extended to such controls as German authorities might be in a position to exercise. The summary ruled out actions that would promote a German standard of living higher than that of any neighboring United Nation. Economic and financial transactions including exports and imports would be controlled to prevent development of a German war potential, and recurrent reparations would not require rehabilitation or development of German heavy industry or foster dependence of other countries upon the German economy.

Necessary economic controls would, so far as practicable, be provided and administered through the German authorities, who would be held responsible in case of a breakdown of controls.

The summary provided for the dissolution of the Nazi Party and affiliated organizations and for control over German education so as to eliminate Nazi and militarist doctrines and to make possible the development of democratic ideas. Nazi laws would be abolished and "more than nominal" party members and other persons hostile to Allied purposes would be removed from public office and from responsible positions in private enterprise. War criminals would be brought to trial and Nazi leaders and influential supporters as well as security risks would be

V-53

SECRET

SECRET

arrested and interned. The summary concluded with provisions for restitution, demilitarization and a repetition of the objective of destroying the German war potential.

Distribution of the 23 March summary of US initial post-defeat policy for Germany was limited to high officials in the War Department and the Joint Chiefs of Staff, the latter being requested to comment on the paper from a military point of view. Although the summary was not sent officially to the theater, a copy was given to Gen Clay to take with him when he left Washington for Paris on 6 April 1945.¹

In the meantime, the European phase of the War was drawing toward a close. SHAEF, which still had no post-defeat directive, cabled to CCS requesting authority to continue the pre-surrender directives into the post-defeat period.² This request was answered unilaterally by the War Department, which advised ETOUSA on 21 April 1945 that JCS 1067 (revised) would be submitted shortly to the Joint Chiefs of Staff and on 30 April 1945 that a "new directive to the Commanding General, US Forces," was under consideration at the highest level and that approval was likely in a few days.³

1. Summary of US policy relating to Germany in the Initial Post-Defeat Period with memo of approval initialed by the Pres., 23 Mar 45; Memo, Gen Hildring to Brigadier General A.J. McFarland transmitting paper for comment of JCS; ASW Decimal File 370.8 Germany, DRB; Cables, CM-OUT 62534 of 2 Apr 45 and CM-IN 3193 of 4 Apr 45, CAD Numerical File, RG 122, DRB. SECRET
2. Minutes of SHAEF ACOS G-5 Meeting with Branch Chiefs, 31 Mar 45, SHAEF/G-5/3573, RG 910, DRB. RESTRICTED
3. Cables, CM-OUT 71125 of 21 Apr and CM-OUT 75416 of 30 Apr 45, CAD Numerical File, RG 122, DRB. SECRET

V-54

SECRET

SECRET

At its initial meeting on 15 April 1945, the Informal Policy Committee on Germany (IPCOG) prepared a summary of American policy for Germany in the initial post-defeat period, implementing the statement approved by the President on 23 March. A working party composed of representatives of the State, War, Navy and Treasury Departments and the Foreign Economic Administration was then established to undertake the detailed revision of JCS 1067 in final form. Agreement was reached in IPCOG on the revised text on 26 April and on the same day Acting Secretary of State Grew submitted the directive to the President. After certain changes were agreed to by IPCOG and JCS, President Truman approved the revised paper, known as JCS 1067/6 which was given the official sanction of the Joint Chiefs of Staff on 14 May 1945.¹

The importance of JCS 1067/6 as a unilateral directive was enhanced by the fact that not only combined but also tripartite negotiations for an agreed post-surrender directive had stopped on dead center. Although Ambassador Winant had been furnished with the 6 January 1945 revision of JCS 1067 as a basis for negotiation in the European Advisory Commission, it soon became apparent that the Soviet Government did not propose to give its delegate Gousev authority to reach agreement with the British and Americans.² Winant introduced in the EAC the summary approved by the

-
1. Notter, op.cit., p 370; American Policy in Occupied Areas, p 4. The date of approval by Pres Truman is given in these sources as 10 May and 11 May respectively.
 2. Summing it up, it could be said that the EAC's total effect on planning for Germany was negative: it inhibited US/UK planning which, it was felt, might prejudice agreement with the Soviets, and it failed

V-55

SECRET

SECRET

President on 23 March 1945, but there was only brief and inconclusive discussion. When Germany surrendered on 8 May 1945, there was still no prospect that the EAC would agree on a post-surrender directive at any foreseeable date.

THE FINAL POST-SURRENDER DIRECTIVE, JCS 1067/6

The statement of basic objectives of military government in Germany contained in JCS 1067/6 was essentially an amplification of the statement in the original JCS 1067. The new directive emphasized, however, the dilemma inherent in the Morgenthau Plan and in earlier directives: the Germans were specifically held responsible for working out their own economic salvation and then just as specifically prohibited from doing so. The directive also ruled out actions that would tend to support basic living conditions in Germany on a higher level than existing in any one neighboring United Nation, a definition that included Poland, which had never achieved the high living standards of Western Europe.

The economic paragraphs of JCS 1067/6 held the Germans responsible for the administration of economic controls and permitted the use of German Central agencies for this purpose. Only the Control Council and

to produce tripartite policies. The Soviets never kept their promise to send a Control Council group to London and Gousev, who lacked the planning facilities of his British and American colleagues, followed the policy of postponing agreement. See History, Office of Military Government for Germany, (USGCC), OMGUS, Berlin 1945, Vol. I, pp 6 and 24., also Preparation, p 370.

V-56

SECRET

SECRET

the zone commander could, however, prescribe such controls. They were to be limited to those necessary for eliminating the German war potential and National Socialism, supplying the needs of the occupying forces and preventing such starvation, disease and unrest as would endanger these forces. Except as necessary to carry out these objectives, the zone commander was instructed neither to propose nor to approve in the Control Council the establishment of centralized controls over the German economy. German central agencies would be held responsible for exercising controls designed to achieve the industrial disarmament of Germany and the execution of other detailed provisions of the directive. They would, however, serve only as instruments of Allied policy and would be forbidden to further any German economic interests. Except as necessary to carry out objectives of JCS 1067/6, the Commander-in-Chief was directed to "take no steps (a) looking toward the economic rehabilitation of Germany, or (b) designed to maintain or strengthen the German economy." The zone commander, on the other hand, was directed to take appropriate measures to reduce the German standard of living, if this standard should become higher than that of any neighboring United Nation and if such reduction would contribute to raising the standards of any such nation.

The denazification provisions of JCS 1067/6 provided for removal from public office and from positions of importance in quasi-public and private enterprises of all Nazi Party members who had been "more than nominal participants in its activities" as well as other active supporters of Nazism or militarism and persons hostile to Allied purposes. The

V-57

SECRET

SECRET

definition of "more than nominal participants in party activities" included all office holders, local or national, in the NSDAP and its subordinate organizations; no such persons could be retained in employment because of administrative necessity, convenience or expediency. The directive included an extensive list of mandatory arrest categories.

The governmental policy stated in JCS 1067/6 was that of "decentralization of the political and administrative structure and the development of local responsibility." The zone commander was directed to encourage autonomy in regional, local and municipal agencies of German administration. Political activities, however, including those on the local level, were prohibited until specifically authorized by the zone commander.¹

In comparing this initial post-surrender directive with the pre-surrender provisions of CCS 551, it is sufficient to note the shift in emphasis and implied attitude. The pre-surrender directive was designed to secure the maximum cooperation of Germans behind the Allied lines. It therefore provided that economic conditions should be kept as nearly "normal" as possible and that radical steps should be avoided in the reorganization of government. In JCS 1067/6, on the other hand, no attempt was made to enlist the cooperation of the German people: the philosophy of the directive and the instructions for implementation were mainly punitive or deterrent.

1. Directive to Commander in Chief of United States Forces of Occupation Regarding the Military Government of Germany, Apr 45, reprinted in Story in Documents, 21-33, Occupation, 77-91.

SECRET

SURRENDER OF GERMANY AND ESTABLISHMENT OF MILITARY GOVERNMENT

As the European phase of the War moved toward its dramatic close in April-May 1945, it was uncertain how soon JCS 1067/6 would come into effect. As Gen Eisenhower cabled on 7 May and again on 21 May 1945, existing combined directives would continue to apply until the dissolution of SHAEF, for which no date had yet been set.¹

When Gen Clay arrived in April 1945 to become Deputy Military Governor and to take command of USCGC, he was forced to struggle with problems that were entirely new to him. His briefing in Washington prior to departure had been most inadequate, as indicated by the following comments:

"As I look back I find it amazing that I did not visit the State Department or talk with any of its officials. Nor was it suggested that I do so. No one at that time advised me of the role of the State Department in occupation matters or of its relationship to military government, and I am inclined to believe that no one had thought it out...

"When I left Washington I knew nothing of JCS (Joint Chiefs of Staff) 1067, the Top-Secret Policy Directive which was to be my guide but which was then still in preparation. Nor did I know anything of the policies and agreements which had been established in international conferences with Russian and the United Kingdom prior to the surrender of Germany..."²

Furthermore, Gen Clay found himself involved in a difficult organizational problem as soon as he arrived in the Theater. Although the

-
1. Cables, Eisenhower to WD for CCS, FWD 20831 of 7 May 45, OPD Numerical File, DRB; SHAEF to WD for JCS, FWD 22094 of 21 May 45, CAD Numerical File, DRB. SECRET (downgraded from TS)
 2. Decision, pp 6-7.

SECRET

so-called "Treaty of Bushy Park" of 12 March 1945 had purported to settle the relationships between USGCC and the Zone Military Government Staff, the problem was still a subject of dispute, and a final working agreement was not achieved until 29 April 1945. Hovering in the background remained the larger question whether occupation administration in Germany should be transferred after surrender to a civilian agency, and if so to what agency and how soon.

A typical incident illustrating the confusion at the end of the War was the "surrender snafu" involving the instrument of unconditional surrender that the EAC had completed on 25 July 1944. The French Provisional Government had requested inclusion as a signatory to this document, which transferred political authority with respect to Germany to the Allied powers and provided for its exercise by the military commanders. In the meantime, however, the three heads of government at Yalta had agreed on a second version of the surrender instrument with one additional word providing (Article 12a) that the three governments "will take such steps, including the complete disarmament, demilitarization and dismemberment of Germany as they deemed requisite for future peace and security." The implementation of this provision had been referred to a Committee on Dismemberment consisting of Messrs. Eden, Winant and Gousev in London, the chief delegates on the European Advisory Commission. Although France had been admitted to the EAC in late 1944, its government did not know of the existence of the committee nor of the second surrender instrument.

V-60

SECRET

SECRET

On 11 April 1945, at the request of the Department of State, Ambassador Winant proposed that France be informed of the revised surrender instrument and invited to join the committee. Eden and Gousev promised to consult their governments, but as Moscow never replied, France never joined the committee. Meanwhile, the French Government learned unofficially of the existence of the added word and of the committee and was offended that it had been excluded. There were now two texts of the surrender document before the EAC, one with and one without the word "dismemberment."

Although both texts of the instrument of surrender had been agreed by the three governments, SHAEF had never received an official text of either document from the Combined Chiefs of Staff. All SHAEF had was an informal copy of the surrender terms furnished by Ambassador Winant. Early in May 1945 when the surrender negotiations began, Ambassador Winant reminded General Walter Bedell Smith of the existence of the approved surrender document, adding that a revision had just been prepared. Gen Smith pointed out that he had received no directive from CCS and that it would be necessary to have instructions from that agency before the document could be used.

In the apparent absence of instructions from Washington, it was decided at the last minute to take a purely military surrender of the German Armies. At the suggestion of Ambassador Winant, an article was included making it possible to impose on Germany the additional military and political conditions embodied in the EAC instrument. This brief version was not cleared with Washington.

V-61

SECRET

SECRET

Later, Gen Smith discovered that SHAEF had received a JCS paper that would have been sufficient to authorize use of the surrender terms as originally agreed. As it turned out, the brief surrender document plus the statement on "assumption of supreme authority," signed on 5 June 1945 at Berlin, accomplished the results intended by the original surrender document. Gen Smith commented, however, that it was hard to understand why Deputy Foreign Minister Vishinsky, who had been in charge of the Soviet side in Berlin, had not raised the question. He also noted that if Ambassador Murphy, Gen Eisenhower's political adviser, had been brought into the proceedings, the entire "surrender snafu" would not have occurred.¹

The European Advisory Commission then revised the original surrender document as a "declaration regarding defeat of Germany and assumption of supreme authority with respect to Germany." It also produced a brief "statement on zones of occupation in Germany" and a "statement on control machinery in Germany." The basic declaration was concerned largely with the demilitarization and demobilization of the German Armed Forces, release of United Nations prisoners of war and the apprehension of Nazi leaders. The statement on zones of occupation gave the general location of the four zones and provided for joint occupation of Berlin. The

-
1. Philip E. Mosely, "Dismemberment of Germany, the Allied Negotiations from Yalta to Potsdam," Foreign Affairs, Vol 28, No. 3, April 1950, pp 487-98; Cable FWD 21136, from SHAEF forward signed Smith to WD personal for Hull, 10 May 45, CAD Numerical File, RG 122, DRB. SECRET

SECRET

statement on control machinery set out briefly the organizational structure of the Allied Control Authority as well as provisions for Allied Military Missions and representation of United Nations organizations.¹

An agreement on "additional arrangements for control of Germany", sometimes referred to as the "instrument of government", was approved by the Allied Control Council on 20 September 1945. This document was essentially a statement of powers rather than policy, although it contained implied as well as stated policies in the fields of German foreign relations, economic disarmament, restitution and denazification.

The agreement of 20 September 1945 was originally developed by the US Delegation on the European Advisory Commission and introduced in that body as paper EAC (44) 27 of 14 November 1944. A revised paper was prepared under date of 27 January 1945, and subsequently comments raised by the US side of SHAEF were taken into account. The final paper, similar to the 27 January draft, was later reviewed by Assistant Secretary of War McCloy while in Germany for the Potsdam Conference; the Civil Affairs Division in Washington cleared various sections of the agreement with interested agencies. Formal government-

1. The texts of these documents are printed in Decade pp 506-13, also in Occupation, pp 7-14. The statement on zones of occupation made no provision for placing a part of the Soviet Zone under Polish administration, a unilateral act of the Soviets that was recognized later at Potsdam.

SECRET

level approval of the agreement was given by the Informal Policy Committee on Germany under the number IPCOG 12.¹

Although the signing of the agreement of 20 September 1945 came after Potsdam, the document was basically an appendix to the instrument of surrender. It was, in a sense, already obsolete by the time it was signed, since the Allies had already assumed the powers of control and imposed upon the Germans the majority of the requirements specified in the agreement. In some respects it was tougher than the Potsdam Declaration, which had stated "the intention of the Allies that the German people be given the opportunity to prepare for the eventual reconstruction of their life on a democratic and peaceful basis." For instance, Section 19(a) of the Agreement of 20 September provided that Germany would furnish, for reparations purposes "...labor, personnel and specialists and other services, for use in Germany or elsewhere..." whereas labor reparations are omitted in the Potsdam Declaration. Yet it was the Potsdam Declaration, approved by the heads of government, rather than the agreement of 20 September that was the authoritative statement of agreed Allied policy during the first year of occupation.

1. Planning Committee, Joint US Advisors, EAC, Paper dtd 9 Apr 45 comparing US Draft Agreement of 27 Jan 45 with comments of US side of SHAEF (28 Jan 45) on US Delegation proposal of general order EAC (44) 27 of 14 Nov 44, ASW Decimal File 370.8 Germany, DRB. SECRET Text of Agreement as approved by Control Council on 20 Sept 45 is reprinted in Decade, pp 513-22 and in Occupation, pp 24-32.

V-64

SECRET

SECRET

Chapter 6

INITIAL POST-SURRENDER POLICIES

OCCUPATION POLICY FACES THE TEST OF OPERATION

The "Hard Peace" Immediately Begins to Soften

The War Department's press release of 12 May 1945 concerning the chief figures in US Military Government quoted Gen Clay somewhat as follows:

Let this much be clear: the Germans will know we are running a military government. We are not concerned at this hour how the Germans will manage their economy or their government in the years to come. We are determined first to smash completely German war-making capacity Once these aims are achieved, there is time enough to consider regeneration of the German people.^{1/}

Whether or not Gen Clay ever made this statement, it certainly did not reflect his views after he had arrived in Germany and had surveyed the situation. One of his first steps was to send his financial adviser, Lewis Douglas, to Washington to urge modification of JCS 1067/6 sufficient to permit the exercise of economic and financial controls.^{2/} While Gen Clay was in 1945 fully convinced that Germany should be treated sternly, it is erroneous to suggest that he was indifferent to the need for constructive measures.

Gen Clay's impression of the total situation in Germany as it existed at the time of surrender is perhaps best expressed in a letter that he wrote to

^{1/} Gable, CM OUT 81598, 12 May 45, given in paraphrase, CAD Numerical File, PG 422, DRB. RESTRICTED
^{2/} Division 18-19

SECRET

Gen Hilldring on 7 May 1945. He began by pointing out the need for consolidating military government activities under G-5 and developing that agency in a pattern suitable for the restoration and control of German governmental organization. This would, of course, require curbing the normal instinct of the American to "get in and do the job" rather than to develop a functioning German framework.

Gen Clay went on to remark that the war had resulted in much more destruction in Germany than was realized by most people in America. Until it could be determined how much destruction had actually taken place, policy directives should be flexible and general rather than specific. Being "hard" on Germany, Gen Clay said, did not call for unnecessary destruction of the economy. Gen Clay favored permitting Germany "a reasonably decent standard of living" under controls that would curb types of industry adaptable to war purposes.

Gen Clay was disturbed by an apparent tendency to set up separate commissions for subjects such as restitution, the trial of war criminals and the internationalization of the Ruhr. There should be a unified framework of government in Germany, with American representatives who were truly representative. While, for instance, the Reparations Commission in Moscow might develop policy, it could not specify individual items to be shipped for reparations without usurping the Allied Control Authority's function of making policy for the German economy.^{1/}

Goldthwaite H. Dorr, a close advisor of Secretary Stimson, made a trip to Germany during the final days of the War. On returning to Washington he reported his conviction that it was urgent to have a clear-cut statement of affirmative as

^{1/} Ltr, Gen Clay to Gen Hilldring, 7 May 45, CAD Decimal File 334 USQCC/G, RG-122, DRB, CONFIDENTIAL

SECRET

well as negative objectives in Germany. His reasoning, based on awareness that political opportunities must be grasped promptly, were as follows:

"Present collapse and devastation is, for the moment, teaching many Germans, if not most, a drastic lesson. Inevitably many, if not most, are, for the moment, prepared to turn their backs on the past with a sense of relief and to look to some different way of thinking and acting. Can we capitalize on this immediate situation? It is fleeting. At best, terrific suffering lies ahead for this people. There is no escape for them from their continuing for a long time to reap the harvest of wretchedness that they have sown. But is it merely purgatory that we would face them with or is our attitude one of imposing on them eternal damnation? If they feel it to be the latter, we inevitably drive them back on the old philosophy of militarism and revenge as their only hope. The human animal lives by his hopes. Is there not a better hope that can be envisaged?"

Dorr went on to urge that the negative program of demilitarization, punishment of war crimes and reparations be accompanied by a positive program designed to restore the Germans to the status of useful contributors to human welfare. The path to this goal would be long and thorny, and the weight of economic suffering caused by the war would inevitably fall upon the Germans. There must, however, be a goal of reconstruction, approached in the spirit that Lincoln had wished to realize in the United States.^{1/}

It was Gen Hilldring's view that although JCS 1067/6 might be far from perfect, it was at least government-level policy and therefore better than no policy. Commenting on his conversations with Douglas, he wrote Gen Clay:

"Low Douglas spent a week here, and it was a most profitable experience for us. The doubts he had about 1067 were, I believe, satisfactorily resolved. He still feels no doubt, as do I, that it would be easier for you at the moment if no directive were now issued as to economic problems. However, over the long pull I am sure it will redound to your advantage to administer Germany in the post defeat period along lines

^{1/} Memorandum, "The Objectives of Allied Military Government," by Goldthwaite H. Dorr, routed to Asst Sec of War McCloy with covering note on 5 May 45, ASW Original File 370.8 Germany, DRB. SECRET

SECRET - 3

SECRET

laid down by the Government. It would, in our opinion, be contrary to the interest of the Army and certainly to your own interests to be personally responsible for formulating the US policy you follow in Germany. We are equally convinced that the formulation of a long range US policy must bubble up out of the facts you uncover in Germany. We also feel that a reconciliation of these facts with the problems of administration must constitute an important factor in the formulation of our long range policy. Mr. McGloy and I are satisfied that we have planted the seed of this idea in 1067, and that the idea has the acceptance of the agencies across the river."

Government-level support of Military Government policies was particularly necessary, Gen Hilldring argued, because the occupation would soon be a subject of public scrutiny and criticism. He went on to suggest the desirability of providing a brake against possible overproduction in Germany and the need for keeping military government under military control.^{1/}

A different view of the production problem in Germany was taken by Donald C. Stone and Eric H. Biddle, who reported to Gen Hilldring on 11 May 1945 on a mission undertaken from 24 April to 1 May of that year. They considered that circumstances warranted the high priorities assigned by Gen Clay to his production control plan, which they called "a bold and imaginative concept for mobilizing the production skills and resources of the Army." They felt, however, that Military Government needed close guidance on political questions arising from the resumption of German production. Reactivation of German government should be pushed so that military government officials would not acquire the habit of doing jobs that could and should be done by Germans.^{2/}

^{1/} Ltr, Gen Hilldring to Gen Clay, 21 May 45, CAD Decimal File 334 USGCC/G, RG-122, DRB. SECRET See also Chapter 3 Note 2 page 34.

^{2/} Stone-Biddle Report as cited in Chapter 3, Note 1 page 33 where the observations of Stone and Biddle on G-4/G-5 relationships are noted.

SECRET

Implementation of JCS 1067/6

In the meantime, preparations were made for the implementation of JCS 1067/6 in the US Zone after the forthcoming dissolution of SHAEF. On 10 June 1945 the division directors and chiefs of services in USGCC were requested to submit short-term plans and recommendations, covering an initial period of three months following termination of the Combined Command. Unilateral administration of the US Zone without agreed quadripartite policies was assumed. These plans were compiled by a "Coordinating Committee," following which the later directives were prepared for the implementation of JCS 1067/6. The process of compiling these plans and directives was substantially completed by the end of June 1945.^{1/}

During the initial months of the occupation the purposes of military government were somewhat obscured by retention until October 1945 of the "TOP SECRET" classification of the basic directive, JCS 1067/6. As Gen Clay points out, "we were carrying out a policy whose existence we could not even admit." This at times gave the impression that administration was being conducted on a basis of pure expediency.^{2/} As the War Department phrased the situation in replying to a letter of inquiry:

"The United States Government had detailed policy covering all phases of the conduct of Military Government within the American Zone of occupation. For appropriate reason, it is inadvisable to release any statement concerning this basic policy at the present time."^{3/}

1/ Directive, Initial Implementation of JCS 1067 in US Zone, 10 Jun 45; OMGUS AG File JCS 1067 Correspondence, KGRG. RESTRICTED; Cable, Bradley from USGCC signed Clay to JCS, 30 Jun 45, OM IN 29547, CAD Numerical File, RG-122, DRB. SECRET

2/ Decision, 16-17

3/ Memorandum, CAD to Chief of Staff, suggesting reply to ltr of inquiry, 28 Jul 45, CAD Decimal File 011 Germany, DRB.

SECRET

It has at times been suggested that the delay in publication of JCS 1067/6 was caused mainly by the War Department in Washington. This contention is not borne out by the record.

Shortly after the final approval of JCS 1067/6, Stephen T. Early, Special Assistant to President Truman, requested that Gen Eisenhower be asked whether JCS 1067/6 in its final form should be published. It was anticipated that the reply would be affirmative. On 21 May 1945, however, theater headquarters cabled that since the SHAEF area was still administered under combined US/UK policies, "publication of the US policies at this time would be premature and certain to be misunderstood." Delay was recommended pending termination of the Combined Command or a four-power meeting to consider control of Germany. To this, JCS added that if the directive should be published, the list of mandatory arrestees should be withheld since its release would warn the individuals concerned to escape.^{1/}

On 4 June another cable was sent to Gen Eisenhower asking whether, in view of his meeting with the other three powers on 5 June, his objections to publication of JCS 1067/6 were not removed.^{2/} This request failed, however, to produce positive results. Meanwhile, USGCC had developed the directives for military government in the US Zone incorporating all of the substance and much of the language of JCS 1067/6. On 30 June 1945 Gen Clay cabled to the Joint Chiefs of Staff his intention to publish these directives, an action tantamount to publication of JCS 1067. In the meantime, however, an objection had arisen in Washington to the immediate publication of JCS 1067. Upon direction from the War Department,

^{1/} Report to JCS by JCAG, 25 May 45, ASW Subject Decimal File 370.8 Germany, DRB RESTRICTED

^{2/} Memorandum, Gen Hilldring to Asst Sec of War McCloy, 5 Jun 45, ASW Decimal File 370.8 Germany, DRB. RESTRICTED

SECRET

the theater classified its general directive of 7 July 1945, covering all major phases of military government, as "RESTRICTED".

On 15 July 1945 Gen Clay wrote to McCloy urging that the "RESTRICTED" classification on the theater directive be removed as soon as possible.^{1/}

Apparently the War Department passed the question back to the theater, since on 7 August 1945 theater headquarters cabled the War Department that after the end of the Potsdam Conference the directives based on JCS 1067/6 would no longer be subject to any security classification.^{2/}

The matter of publishing JCS 1067/6 itself, however, remained in abeyance until October, when the War Department again queried the Theater. Gen Clay replied that he had urged publication during the Potsdam Conference and had not changed his opinion. The directive was finally released by the Department of State on 31 October 1945. By this time, however, the feeling was growing that JCS 1067/6 was somewhat of a dead issue, since it has been superseded on many subjects by the Potsdam Protocol.^{3/}

The Administrative Problem as Seen in Washington and in the Theater

To understand the development of military government policy after the surrender of Germany, it is necessary to look at its problems as seen in spring and summer 1945 by those directly concerned. Never before had the United States occupied a major nation so completely defeated. Never before had it joined in

^{1/} Ltr, Gen Clay to McCloy, 15 Jul 45, OMGUS File, Gen Clay's Letters, KCRC.
CONFIDENTIAL

^{2/} Cable, S-16053, CG USFET Frankfurt to War Dept, Info USGCC, 7 Aug 45, CAD
Cordell File 014 Germany, DRB.

^{3/} A Memorandum Written by the Staff Secretary of OMGUS on 10 Oct 45 (OMGUS AG
File JCS 1067 Correspondence, KCRC) states: "JCS 1067 is no longer US policy.
Without any important exception, it has been superseded by the Potsdam Agreement,
which the US signed and therefore accepted as policy."

SECRET

an operation of a political rather than a military character with three allies, each with policies and practices in varying degrees of conflict with our own. The problems of Germany after the surrender of May 1945 were totally new. It must be asked not only how they look now, but also how they looked then to officials charged with making administrative decisions. (Similar questions, of course, should be kept in mind during any appraisal of the motives of the hard-peace school in Washington.)

The Stone-Biddle report of 11 May 1945, cited in the preceding section, also focused attention on some of the pressing administrative problems within the theater. In local and district Military Government, the most urgent issue was that of obtaining qualified personnel. Young combat officers were forced to deal with complex political and economic problems that would have confounded expert civil administrators and social scientists. Since it was too late to cure the shortage of trained governmental personnel, Stone and Biddle suggested mobile groups of technical consultants to advise the military government detachments in the states and countries. There was also the need for political field service, which would advise state and local detachments on problems of a political rather than technical nature.

The first urgent question facing every local military government detachment was the reactivation of the German administration. The required selection of mayors and county administrators who were both qualified and acceptable in terms of current denazification directives, followed by screening of the technical staffs of these German officials. It often turned out that directives that seemed clear enough to the issuing headquarters were quite inadequate as guides to decision in particular cases. Relative degrees of party affiliation were never in practice so black and white as the directives seemed to contemplate.

SECRET

Each military government detachment charged with direct supervision of a level of German government, Stone and Biddle pointed out, was beset by a conflict of purposes. There was the demand for technical efficiency, the need to restore essential public services. The political purposes of the occupation, however, often prohibited the employment of those civil servants most qualified to do the jobs. To achieve reasonably adequate solutions to the dilemma, local detachments required, and could not get, continuous guidance, better integrated counter-intelligence service and up-to-date biographical information on German personnel. These problems were over and above those caused by the complexity of command channels, simplification of which was a matter of necessity.

The problem of machinery for government-level policy formation was also a matter of concern. Assistant Secretary of War McCloy wrote to Gen Clay on 21 June 1945 that he and Assistant Secretary of State Clayton had been considering methods of securing "more systematic consideration and prompter determination of questions of occupation policy. The existing Informal Policy Committee (IPCOR) had met only for occasional pressing matters. It was necessary to have this or a smaller group meet regularly, inform itself on current situation and look ahead to major matters likely to require decision in the future. A recognized and efficient forum for policy formation would lessen the danger of extemporaneous back seat driving" by Washington officials.

John J. McCloy to Gen Lucius D. Clay, 21 Jun 45, CAD
OLG Germany, RG-122, DRB. SECRET

SECRET

McClary went on to ask how well the Soviet Union would cooperate in the Control Council, a subject on which he lacked even enough information to speculate. He felt that even though the USSR might prove recalcitrant, tripartite arrangements with the British and French should be kept to a minimum. Quadripartite discussions should be started with subjects on which agreement would be easiest, so as to build mutual confidence.

Replying to McClary on 29 June 1945, Gen Clay agreed there was "a decided need for a small group having the requisite authority to formulate policy in the United States." There had been cases of apparent lack of coordination, for instance, in the instructions given that Ambassador Edwin W. Pauley, the US member of the Reparations Commission in Moscow, was to approve restitution of individual items of property. Another instance involved a proposed coal directive that would have disturbed arrangements made with the British for combining efforts to attain full production of coal in the Ruhr.

On the subject of quadripartite negotiations, Gen Clay noted that Soviet representatives were willing to discuss only one topic at a time. They would proceed no further until that topic had been resolved. They were unwilling to delegate authority, a fact that would make the reestablishment of German government a long-drawn-out process. In the meantime, it would probably be necessary to make a number of bipartite and tripartite arrangements with the British and French, since the United States Zone of Germany could not exist as an economic unit.

Gen Clay was intensely concerned with the basic question of restoring German government, on which he wrote:

"There can be no real start on restoring the German economy until governmental machinery has been re-established. Then we will still face major

SECRET

problems in restoring transportation, communications, etc., and in finding manpower for even a substantially reduced economy. The destruction of rolling stock in Germany and of road transportation has been very great and a number of years of full production would be required even after normal transportation had been restored in the liberated areas before it could be restored in Germany. Free movement of coal and commodities can take place only when transportation is brought back. Moreover, the financial situation has collapsed. The restoration of budgets, the levying of taxes, the servicing of public debt, the re-creation of a sound banking system and restoration of credit are all essential prior to any major restoration of the German economy. These are complicated matters which can be solved only over many months and perhaps years, even after administrative machinery for government has been set up. Through it all there stalks the fear of inflation, freezing cold, inadequate housing, and food shortage during the coming winter.^{1/}

On the subject of internal organization of the theater, Gen Clay reported to McCloy that he had arranged with Gen Adcock, who had been assigned as USFET G-5, for a complete integration of military government staffs in the Zone and in Berlin. Clay's objective was a single integrated military government structure, but he had not had a recent opportunity to discuss the problem with either Gen Eisenhower or Gen Smith. He viewed with disfavor the tendency to build up the Political Division, consisting of State Department officials under the Political Advisor, as a miniature duplicate of Military Government headquarters. The Political Adviser, Gen Clay felt, should confine himself to political advice without trying to expand into economic, financial or other technical fields. (CF. pp.III-41-44 supra.)

The observations of McCloy and Gen Clay presaged the organizational changes that were to follow. On 30 August 1945, at the recommendation of the Secretary of State, the President terminated the Informal Policy Committee on Germany and transferred pending matters on the IPCOG agenda to the State-War-Navy Coordinating Committee (SWNCC). From then on SWNCC functioned as the principal channel for the coordination of American policy on occupied areas. On July 14, 1945

^{1/} Ltr, Gen Lucius D. Clay to Asst Sec of War John J. McCloy, 29 Jun 45, OMGUS file, Gen Clay's Letters, KCRC (Downgraded from CONFIDENTIAL).

SECRET

SECRET

SHAEF was dissolved and there began a gradual consolidation of military government responsibilities for the US area of control. Although the dual organization of military government, with policy made by USGCC/OMGUS in Berlin and operations controlled by USFET in Frankfurt, continued through the autumn of 1945, cooperation was usually good and, as Gen Clay points out, "the divided responsibility which existed at the time was not as serious as it looked on paper."^{1/}

POST-SURRENDER ECONOMIC PROBLEMS

The Food Shortage Demands Immediate Action

Even before the close of hostilities, the problem of feeding the German people had begun to loom large. The CCS directives, mainly CCS 551/2 and FACS 93, were by no means fully clear on the subject of food. As early as February 1945, SHAEF G-5 had established a number of working groups to develop unified theater policies on food and other economic problems. In March, plans were made to import 175,000 tons of wheat, a figure raised later to 600,000 tons, to feed the Germans. Army groups were urged to permit farming even in forward areas, and to limit requisitioning transport needed for civilian food production or distribution.^{2/}

Although consideration was given to policies for dealing with surplus foodstuffs that might be uncovered in Germany, intelligence reports flowing

^{1/} Decision 55. See also Chapter 3, "Internal Structure of USGCC/OMGUS."

^{2/} Ltr, Brig Gen Frank J. McSherry, DACOS, G-5 SHAEF, to Maj Gen J. H. Hilldring, Director, CAD, 21 Feb 45, CAD Decimal File 014 Germany, RG-122, DRB. SECRET Minutes of G-5 Staff Conference, 9 Mar 45, SHAEF/G-5/3573, RG-910, DRB. RESTRICTED Decision 263.

SECRET

into SHA3F indicated that such surpluses did not exist.^{1/} When the Combined Chiefs of Staff cabled (FACS 185) setting a 1500-calorie daily food ration for German civilians, Gen Grasett, G-5 of SHA3F, pointed out that this figure was a maximum and that in all likelihood German civilians would not receive 1500 calories a day.^{2/} In spite of attempts to stimulate German farming, it was evident to SHA3F that some starvation would be unavoidable. Factors limiting German food production were the devastation of farm property in areas of heavy combat; shortages of transport, lubricants and fuel; and the absence of farm workers in the army or as prisoners of war, coupled with the departure of displaced persons who had been drafted for labor on German farms.^{3/} Although it was at one time thought that surplus food for Western Germany might be obtained from the Soviet Zone, the initial contact with the Soviet Command was sufficient to dispel this illusion.^{4/}

There was, nevertheless, some initial reluctance to assume, on behalf of the United States Government, responsibility for feeding the defeated enemy. This attitude was encouraged by our Continental Allies, who felt quite naturally that priority in food supply should be given to liberated countries. On 2 May 1945, for instance, Ambassador Sawyer reported from Brussels the

^{1/} Minutes of SHA3F G-5 Staff Conference, 17 Mar 45, source as in Note 2 pp 12. RESTRICTED. Cable, Wickersham to Halldring. CM IN 11645, 16 Apr 45, CAD Numerical File, RG-122, DRF. SECRET

^{2/} SHA3F G-5 Staff Conference, 21 Apr 45, source as in Note 2 pp 12 Chapter VI. RESTRICTED.

^{3/} State Dept Cable, Winant from Elmsdell, MEM, to Asst Sec Clayton. WD CM IN 11645, 20 Apr 45, quoting ltr from Gen Grasett, G-5 of SHA3F, 11 Apr 45, furnished for information by Office of Prime Minister; CAD Numerical File, RG-122, DRF. SECRET

^{4/} Minutes of SHA3F G-5 Staff Conference, 5 May 45, reporting Conferences of SHA3F with Soviet Army Commander, SHA3F/G-5/3573, RG-910, DRF. RESTRICTED

SECRET

feeling that there was no Allied obligation to prevent starvation among the Germans, who were capable of fending for themselves in any case.^{1/} The SHAEF directive on food supply, which was confirmed by the Combined Chiefs of Staff, was paraphrased in a message of 18 May 1945 as follows:

"a. The Supreme Commander's policy is not to bring into Germany relief supplies from the outside. Only in extreme emergencies will the policy be altered, in order to prevent disease and disorders such as imperil or obstruct the operations of the military.

"b. German authorities will be compelled to provide out of German resources food and other indispensable living requirements of the population of Germany so as to avert disease and disorder such as would imperil or injure military operations. Arrangements for supplying the needs of the German population will in no instance be at a higher level than exists in the liberated areas."^{2/}

Surveys of the food situation in May 1945 and thereafter made it quite clear, however, that something had to be done about the food supply to avoid disease and unrest that would endanger the occupying forces. SHAEF G-5, with the concurrence of Gen Clay, decided therefore to establish an Economic Control Agency consisting of between 50 and 60 food and agricultural experts taken from the Reich Ministry of Food and Agriculture and the Reich Food Estates. After being screened for political acceptability, these officials were to be brought together at Wiesbaden to compile information on the food situation and to exercise the following functions:

(1) Assist in reestablishing and activating administrative food and agriculture agencies on the local and regional levels;

(2) Plan a 1945-1946 production program;

^{1/} State Dept Cable, Sawyer, Brussels, to Sec of State, 4 May 45, WD CM IN 6813 of 8 May 45, CAD Numerical File, RG-122, DRB. CONFIDENTIAL
^{2/} Paraphrase of State Dept Cable, Acting Sec of State to Brussels, in answer to cable cited in foregoing note, WD CM IN 16742, 18 May 45, CAD Numerical File, RG-122, DRB. SECRET

SECRET

(3) Make plans for price control, collection, distribution and rationing of agricultural products; and

(4) Collect and maintain necessary statistical records.

The functions of this Economic Control Agency were to be extended to the Soviet and French Zones as soon as the agreement of the respective occupying powers could be secured.^{1/}

Provisional Continuance of Combined Supply Procedures

The American intention, stated in paragraphs 5, 21, and 22 of JCS 1067/6, was to have supply questions for Germany as a whole determined by the Allied Control Council. There was to be a consolidated export-import plan, with details worked out by German agencies under Control Council policies and supervision. The group being assembled at Wiesbaden was intended as the nucleus for such an agency. As the time for the dissolution of SHAEF approached, however, it became evident that there would be a hiatus before the Control Council and its various specialized organs could be established and activated. It was also clear that steps to assure a subsistence level of food could not be indefinitely deferred. Because of the general world food shortage in 1945, particularly in wheat, it was essential that German requirements be determined, supplies allocated and financing arranged without delay.^{2/}

^{1/} Paraphrase of State Dept Cable, Caffery from Murphy to Sec of State, 22 May 45, WD CM IN 25505 of 27 May 45, CAD Numerical File, RG-122, DRB. SECRET
^{2/} In the Spring of 1945 Sec of State Byrnes, FEA Administrator Crowley and Gen Somervell, Commander of ASF, constituted a committee to estimate world commodity requirements. From transcript of telephone conversation between Gen Hilldring and Lt Col J. C. Davis, London, WD-TG-2505, 5 Apr 45, CAD Numerical File RG-122, DRB. SECRET

SECRET

The post-SHAEF supply question was raised on 26 April 1945 by the British Minister of Production, Oliver Lyttleton, who wrote to Assistant Secretary of War McCloy stating the British view that there should be no gap in the flow of supplies between the termination of SHAEF and the establishment of the Allied control machinery for Germany. Simultaneously, the British Embassy in Washington sent the State Department an aide-memoire proposing indefinite continuation of combined military supply responsibility, not only in Germany but also in Northwest Europe. The combined arrangements should operate in Germany until the quadripartite control machinery should be adequate to replace them.^{1/}

McCloy referred Minister Lyttleton's proposal to Gen Hilldring, who consulted with the Department of State. Reinstein and Despres of that Department indicated that no combined US/UK civilian supply agreement for Germany should continue after redeployment of US troops into the US Zone. In advancing this view, they said, the State Department wished to accelerate establishment of the Control Council machinery for Germany. At an informal meeting in the State Department on 26 May 1945, attended by Colonel Davis of CAD, representatives of the Treasury and of FEA concurred in the State Department's position.^{2/}

Reflecting the consensus expressed by the State and Treasury Departments and FEA, McCloy replied to Lyttleton on 11 June 1945 that it was considered that military responsibility for German civilian supply should be limited to prevention of disease and unrest in the zone occupied by US forces. While it was difficult to deal with German economic and supply problems on a zonal

^{1/} Summary sheet with memorandum for record, 30 May 45, CAD Decimal File 014 Germany, RG-122, DRB. SECRET

^{2/} Loc. cit. The effect of this policy was to put pressure on the British. There is no evidence to suggest that pressure in that direction was needed.

SECRET

basis, unified treatment of these problems should be determined in the Control Council. Such agreed policy would then be executed as a matter of governmental policy rather than on the narrower military basis of the present combined military supply system. The entire subject, McCloy added, was now under discussion through diplomatic channels.^{1/}

Actually, there was no interruption of US/UK cooperation on supply problems incident to the dissolution of SHAEF. Pending activation of the Control Council the Western Deputy Military Governors held several meetings and established the Combined Resources Allocations Board which functioned during the summer of 1945. This board, which had a sizeable staff, created committees on food and agriculture and a number of other economic subjects. Simultaneously, coordinated nutrition surveys were undertaken in the Western zones.^{2/} As Gen Clay explained, these expedients were of an interim nature and not intended to obstruct the primary purpose of getting the Control Council in full operation as quickly as possible.

The Washington Dispute Over Supply Responsibilities

In the meantime, however, there arose a disagreement in Washington on the extent of War Department responsibility for the German economy as a whole and for supply problems in particular. The War Department began by taking the position that, after SHAEF had been dissolved, its economic and supply responsibilities would be limited to strictly military objectives.

^{1/} Ltr, Asst Sec of War John J. McCloy to Oliver Lyttleton, British Minister of Production, 11 Jun 45, CAD Decimal File 014 Germany, RG-122, DRB. SECRET
^{2/} History of OLGUS (USGCC), OLGUS Historical Office, Vol. II, p 14; Ltr, Gen. Clay to McCloy, 15 Jul 45, OLGUS File "Gen Clay's Letters," ACRC. CONFIDENTIAL

SECRET

As reported by Assistant Secretary of State W. L. Clayton, War Department officials in June 1945 stated that their department did not consider itself responsible for German exports except for direct military purposes. Consequently, the War Department would not be able to finance the procurement of supplies to be imported into Germany to increase German export production for non-military customers. In the case of coal, a military obligation to assure exports was recognized so long as SHAEF might be responsible for distribution of coal in Northwest Europe. After termination of military supply responsibility for Northwest Europe, however, the military authorities in Germany would be responsible only for assuring production of the minimum amount of coal needed to prevent disease and unrest in Germany.

Clayton wrote on 18 June 1945 objecting to the War Department view of its supply responsibilities as it had been expressed to the Department of State. Such a narrow interpretation seemed inconsistent with JCS 1067/6, which included as an objective of US occupation policy the relief of countries devastated by Nazi aggression. Since such relief would require exports, it was up to the military to determine what imported supplies might be needed and arrange for their procurement.

It was the State Department's view, Clayton continued, that military government responsibility for procurement and initial financing of imports was not limited to the levels required for consumption by occupying forces, by displaced persons, and by German civilians so far as necessary to prevent disease and unrest. On the contrary, such responsibility should include all imports serving the purposes of the United States Government in Germany, including the US share of continued financing with other occupying powers.

SECRET

Reimbursement of such expenses, Clayton concluded, would of course be a first charge on German ability to make foreign payments.^{1/}

The War Department's reply was signed by Secretary Stimson and addressed to the Secretary of State on 4 July 1945. The letter begun by pointing out that no funds had been appropriated for German imports other than for purely military purposes. It would therefore be necessary to turn to Congress. In Stimson's opinion, such an approach should be based on an agreed governmental policy approved by the President.

Inso far as the directives to Gen Eisenhower represented "the basic objectives of United States policy," Secretary Stimson continued, they represented a responsibility of the government as a whole. Furthermore, obtaining reimbursement for imports to Germany would at best be a slow process. It was the War Department's considered view that, lacking an authoritative governmental policy to the contrary, its responsibility should be limited to initial financing of supplies for US troops and of such supplies for civilians in the US Zone as would ensure the security of these troops. If the War Department were to finance additional imports into Germany, it should do so only under policy established on a governmental basis and approved by the President. The problem of financing German and Austrian imports was, Secretary Stimson added, merely one phase of the general problem of American economic policy in Europe. He suggested that the Department of State hold a meeting with War, Navy, Treasury and FEA representatives to formulate a recommendation to the President.^{2/}

1/ Ltr, Asst Sec of State W. L. Clayton to Asst Sec of War John J. McCloy, 18 Jun 45, CAD Decinal File 014 Germany, RG-122, DRB.

2/ Ltr, Sec of War Stimson to the Sec of State, 4 Jul 45, CAD Decinal File 014 Germany, RG-122, DRB.

SECRET

In the conferences that followed, it was agreed that Britain, France and the Soviet Union should be invited to subscribe to the principle that necessary post-war German imports should be the first charge on all German exports. While the combined military procurement and supply program would be continued through October 1945, the United States would begin billing the United Kingdom and France for supplies furnished to their respective zones from US sources on or after 1 August 1945. The War Department agreed to accept the responsibility for procurement and initial financing of German imports if the President should so direct.

Secretary of State Byrnes reported the results of these discussions to President Truman, submitting a letter to Secretary Stimson, which the President signed on 29 July 1945 while attending the Potsdam Conference. The letter cited the expanded economic responsibilities of the occupying forces as set forth in Principle Number 14 approved by the Foreign Ministers, which included assurance of "production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of the standards of living of European countries" (excluding Britain and the USSR), as well as a provision for the control of exports and imports. The specific instructions to the Secretary of War were as follows:

"The War Department is directed to assume procurement and initial financing responsibilities with respect to all imports into Germany for which the Government of the United States assumes responsibility in accordance with the above principles, whether or not an agreed program is formulated and carried out by the Control Council. The War Department, moreover, is directed to assume responsibility for the entire share of the United States of any combined financing which may be undertaken in concert with the occupying powers.

"In accordance with the memorandum of July 5 from the Secretary of State, you will ensure insofar as practicable, that advances for such

SECRET

imports should be a first charge against exports of German current production, facilities, or stocks on hand from your zone or from Germany as a whole."^{1/}

The War Department directive implementing the President's letter provided that procurement and financing of imports into Germany would follow established War Department organization and practice. General staff supervision for the War Department would be exercised by the Director of the Civil Affairs Division.^{2/}

First Steps in Developing a Coal Policy

As hostilities drew toward a close, a general shortage of coal emerged as one of the chief obstacles to the reactivation of European industry. The Allied Forces themselves had already made serious inroads on continental coal supplies. In April 1945, they were using between 500,000 and 600,000 tons of Dutch, Belgian and French coal a month, of which only one-third was replaced by imports from Britain and the United States.^{3/}

To survey the European coal situation and make recommendations, a Coal Committee with members representing SHAEF and the US and UK Embassies was established in Paris in April 1945. At its first meeting on 17 April a pessimistic prospect came to light. For the first post-hostilities year, the United States and Britain were expected to produce 7,000,000 tons less coal than their combined needs. At the same time production in liberated Northwest Europe was

^{1/} Ltr, President Truman to Sec Stimson, 29 Jul 45, CAD Decimal File OL4 Germany, RG-122, DRB.

^{2/} Memorandum, Deputy Chief of Staff (by order of the Sec of War) to Director, CAD, Budget Officer, Commanding Gen, ASF, 5 Aug 45, Subject "Procurement and Init Financing of the US Program for Germany," CAD Decimal File OL4 Germany, DRB.

^{3/} State Dept Cable, Winant London to Sec of State, 19 Apr 45, WD CM IN 22182 of 24 Apr 45, CAD Numerical File, RG-122, DRB. SECRET

SECRET

forecast at 25,000,000 tons below pre-war output. Nor could German coal — of which the main deposits were located in what became the French (SAAR) and British (RUHR) zones — fill much of the gap: shortages of food, mining supplies, power, and transport had slashed German production to a fraction of normal. Current output in the Aachen district was less than ten per cent of normal. The same was true in the Saar; in six months, production there would equal thirty per cent of normal. Because of heavy military demands, German coal surpluses available for export were unlikely.

The coal crisis not only checked economic recovery but also posed a direct threat to military operations. The French Provisional Government indicated that since France was receiving no coal from the Saar, deliveries of French coal for direct military consumption and for military production programs would be stopped on 1 May 1945. While there was no doubt that the civilian coal situation in France was catastrophic, the committee urged US pressure on France to reconsider the proposed stoppage of French coal deliveries. The need for transport for military operations made it impossible to ship coal westward from the forward zone and in the meantime coal was needed for the prosecution of the war. The most that could be obtained from the French, however, was an agreement to allot 25,000 tons of coal per month for US/UK military orders instead of the 200,000 tons supplied so far.^{1/}

It was thus urgently necessary to reactivate German coal production as rapidly as possible. It was equally important to establish machinery and policies for allocating the coal so produced between military needs and the economies of Germany and the liberated countries.

^{1/} State Dept Cables, Caffery Paris to Sec of State, 24 Apr 45, WD CM IN 22118; 24 Apr 45, WD CM IN 22135; 26 Apr 45, WD CM IN 24778; WD Cable from SHAEF to War Dept, 7 May 45, CM IN 6280, CAD Numerical File, RG-122, DRB. SECRET.

SECRET

On 8 June 1945 a State Department proposal on coal was sent to the War Department. This letter expressed concern lest the European coal shortage lead to serious disorders during the coming months and urged "drastic steps . . . to provide coal for our Western European Allies, particularly France." The limited shipments of coal from the United States to Western Europe under military auspices should be stepped up. The State Department letter, signed by the Acting Secretary, then continued as follows:

"I also understand that steps are being taken by the military authorities to push German coal production. I have been troubled, however, over reports to the effect that this production may, in large part, be allocated for use in Germany. I should, therefore, like to urge that an appropriate directive or order be issued that would

(a) make the transportation and production of coal from the Ruhr and Saar a matter of first military operational priority;

(b) assure equitable and prompt allocation of substantial quantities of such coal among our Western European Allies."

The State Department suggested that allocation of coal be undertaken provisionally by SHAEF. Upon establishment of the European coal organization, SHAEF would perform this function in consultation with that body.

The War Department agreed that SHAEF could properly distribute coal in Northwest Europe, assuring exports from Germany to the liberated countries, but only so long as SHAEF might continue to have military supply responsibility as a whole for the area. Thereafter, military authorities in Germany would be responsible only for insuring production of coal needed to prevent disorder and unrest in Germany.^{1/} The pressure of events, of course, made this limited concept as unrealistic for coal as it was for food.

Asst Sec of State Clayton to Asst Sec of War McCloy, 18 June 45, CAD Serial File C14 Germany, RG-122, DRB.

SECRET

During June 1945, President Truman received the report of the Potter-Hyndley Mission on the coal situation in Northwest Europe. It was the President's opinion that there was an overriding emergency, which could be met only by export of 10,000,000 tons of coal from Western Germany during the remainder of 1945, plus an additional 15,000,000 tons during the first three months of 1946. In addition to maintaining Ruhr Black coal production, it was necessary to stimulate the production and export of brown coal, briquets and other types. The President ordered that a directive in this sense be sent to the American Commander-in-Chief and requested that the British and French Governments instruct their commanders similarly.

As McCloy explained to Gen Clay, it was appreciated in Washington that German coal exports would have to come from the British and French Zones and that the US Zone would need a supply of coal from these or external sources. The US representative on the Allied Control Council could, however, lend his full weight in obtaining inter-Allied cooperation. McCloy urged every effort to assist coal production by supplying transportation, supplies and labor and suggested the possibility of an incentive system for the mine workers.^{1/}

The magnitude of the job involved in producing coal for export was reflected in the 2 July 1945 report by Colonel G. Hoover, which pointed out that current production in the Ruhr was only 40,000 tons a day, less than one-third of pre-war output. At this rate, most of the coal was used in operating the mines, so that only one-third of the production could be shipped. Much of this was used for transportation and electricity, leaving less than one-third of the 400,000

^{1/} Ltr, Asst Sec of War John B. Hood to Asst Sec of War Gen Clay, 21 June 45, GAC Decimal File 014, Germany, PG 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

SECRET

miners employed before the war, only 120,000 to 150,000 were available for work, and the output of these few was reduced by low nutrition. In some cases production was limited by lack of transport to remove coal accumulating at the pit heads. But transport itself could not revive without adequate coal supplies.^{1/}

Secretary Stimson's letter of 4 July 1945 to the Acting Secretary of State, cited above in connection with the food problems, contained a section devoted to coal. The Secretary indicated that the War Department would be responsible for providing coal for Europe through August 1945 and that thereafter coal exports should depend upon "reparations decisions which have not yet been made by this government." He pointed out the need for substantial amounts of coal mining machinery, which would be installed in the US and British zones and therefore could not be purchased from War Department funds. The question of financing coal-mine equipment was, however, settled by the President's directive of 29 July 1945 concerning the import program as a whole. According to this directive any mining equipment for which the United States assumed responsibility would be initially financed by the War Department, such costs to be a first charge against German exports.

It was Gen Clay's observation that the proposed coal export policy reflected an unrealistic separation of the coal question from problems of the economy of Northwest Europe as a whole. However desirable the exports recommended in the Fottar-Hyndley report might be it was uncertain whether these figures could even be approximated. The difficulties in obtaining coal involved shortages of transportation, manpower and housing, mining machinery,

^{1/} Export Report by Calvin B. Hoover, 2 Jul 45, CAD Decimal File 014 Germany, RG-122, DRB.

SECRET

pit props and miscellaneous equipment. For the most part, these could be obtained only in Germany. As Gen Clay put the problem: "The successful large-scale mining of coal means some restoration of German economy, and some industrial activity in Germany to support coal mining." US Military Government was making every effort to cooperate with the British and French in maximising coal production. But a policy of pushing immediate exports at all costs, Gen Clay implied, would be shortsighted and would result in less coal in the long run.^{1/}

Early in July, the Combined Coal Committee, a subordinate body of the theater-level Combined Resources Allocations Board, submitted a tentative estimate of all kinds of coal production. A copy of this report was sent immediately to Washington for information. Assuming that labor, food for miners, mine supplies and transportation would be available, the committee set a production target of 38.3 million marketable tons between July 1945 and the end of April 1946. But since only 28,000,000 tons could be moved by rail and water during this period and since military and minimum civilian needs would consume about 20,000,000 tons, only about 7.9 million tons would be available for export.^{2/}

In late July 1945 at Potsdam, however, US-British government-level agreement was reached on a directive confirming the original estimate of 25,000,000 tons of coal to be exported from Germany up to 1 April 1946. This directive was issued to Gen Eisenhower directly at Potsdam and to Field Marshal Montgomery

^{1/} Ltr, Gen Lucius D. Clay to Asst Sec of War John J. McCloy, 29 Jun 45, OMGUS File, "General Clay's Letters," KCRC.

^{2/} Ltr, Gen Lucius D. Clay to Asst Sec of War John J. McCloy, 15 Jul 45, OMGUS File "General Clay's Letters," KCRC. CONFIDENTIAL

SECRET

via London. The latter immediately returned a cable of protest emphasizing that the Combined Coal Committee of French, US and British representatives had stated flatly that the exports contemplated in the Potter-Hyndley Report were impossible. Unless the provisions reserving military and civil requirements for the safety and maintenance of the occupying forces were satisfactorily interpreted, the Field Marshal continued, there would be serious consequences for the German people and possibly trouble requiring additional troops. In any event, coal for military and some transportation needs, utilities, production and processing of food, necessary building materials, medical supplies and the like would have to be a first charge on output. He doubted whether it was practicable to keep industry suspended over so long a period. Even though the coal needs of liberated countries would require that industrial production in Germany be kept at a minimum, Montgomery added, complete stoppage of industry was without precedent, and the consequence of widespread unemployment warranted reconsideration of the directive. He concluded by recommending consideration of the entire problem by a governmental commission.^{1/}

The official reply of theater headquarters, after the directive had been relayed by the Joint Chiefs of Staff (from Potsdam), was that every effort would be made to execute the directive despite the conclusions of the Combined Coal Committee that anticipated production could not possibly support essential domestic requirements plus the required exports. In fact, however, Assistant Secretary of War McCloy took it upon himself to modify the directive informally

^{1/} Cable from Field Marshal Montgomery to British Government, quoted in US Cable CC-14982 from USGCC signed Clay signed Eisenhower to War Dept for JCS, 20 Aug 45, WD CM IN 19830 of 21 Aug 45, CAD Numerical File, RG-122, DRB. SECRET

SECRET

almost as soon as it was issued. At a USGCC Staff Conference of 1 August 1945 at which McCloy was present, Col Boyd of the Industry Division reported a virtual stoppage of manufacturing as a result of coal and transport shortages. Coal was needed for essential products such as textiles and shoes, as well as for food processing. In the course of the discussion between McCloy, Ben Draper and Col Boyd it was agreed that such minimum needs should constitute a prior claim on coal before the export program could be realized.^{1/}

The Economic Situation in July 1945

During the first two months of the occupation it was difficult to obtain an overall perspective on the economic task faced by US Military Government in Germany. This was provided for the first time in the report of the economist Calvin Hoover, which was completed on 2 July 1945 and forwarded to Washington for information.^{2/}

Hoover began his report with the observation that because of chaotic conditions there was no adequate economic statistics. Much reliance had to be placed on field trips and reports from military government detachments. These showed that very few plants were in operation in the US and British Zones, even though permission and in some cases orders had been given to activate factories producing certain essential commodities.

The nearly complete paralysis of industry was not caused by lack of machinery or materials. Numerous consumer goods plants were easily repairable

^{1/} Summary of USGCC weekly staff conference, 1 Aug 45, CIGUS Civil Administration Division File 001, "Staff Meetings," KCRC. SECRET
^{2/} Expert Report by Professor Calvin B. Hoover, 2 Jul 45, CAD Decimal File 014 Germany, RG-122, DRB.

SECRET

or undamaged, and raw materials in many cases sufficed for weeks or months. The primary bottlenecks were shortages of coal and transport, each acting on the other. Flour mills, bakeries and dairies were operating and a few food processing plants were being started. But not much coal would remain for German industry after provision was made for railroads, public utilities and other necessities; there would be practically no coal for heating of homes.

Discussing the food situation, Hoover pointed out that Germany had been 80 per cent self-sufficient before the war. The US and British Zones had produced from 60 to 70 per cent of their requirements, the industrial British Zone being less self-sufficient. As of July 1945 there were no large reserve stocks of food and the daily rations varied between 700 and 1200 calories. City rations were decidedly below the minimum necessary for health and muscular activity. Although prisoners of war were being released for agricultural labor and 97 per cent of the normal acreage in the US Zone was being cultivated, food production was basically insufficient to support the British and US Zones.

War damage in the cities and congestion of evacuees and expellees in country districts had caused an acute housing shortage, which was intensified by billeting of Allied troops. The supply of lumber and repair materials was wholly inadequate, many habitable buildings being left open to weather damage. Although almost all skilled building workers were employed in repair work, no significant rebuilding was taking place.

Second only to the coal shortage, lack of transportation limited the functioning of the German economy. Numerous bridges and railyards were out of action, and wrecked rolling stock still choked yards and lines all over the country side. The limited service so far restored on main lines was taken up almost entirely by military requirements. Because of shortages of gasoline,

SECRET

tires, batteries and spare parts, truck transportation was available for local hauling only. At the same time barge traffic was blocked by wrecked bridges.

In brief, Professor Hoover concluded, the German economy, except for agriculture, was functioning only on the most limited scale. The restoration of communication, transport and fuel supply was vitally necessary for the revival even of a minimum civilian economy.

POTSDAM AND ITS IMPLEMENTATION

Basic Provisions of the Potsdam Protocol

At the Potsdam Conference of 17 July - 2 August 1945 the heads of government of the United States, the United Kingdom and the Soviet Union agreed on certain general principles to govern the treatment of Germany during the initial control period. The protocol of proceedings dated 1 August 1945, known as the Potsdam Protocol, superseded JCS 1067/6 on a number of basic points and thus became the fundamental policy statement for US Military Government in Germany during the first year of the occupation.^{1/}

The economic provisions of the Potsdam Protocol prohibited German production of arms, ammunition, implements of war, aircraft and seagoing ships. Production of metals, chemicals, machinery and other items directly necessary to a war economy were to be rigidly controlled and restricted to Germany's approved peacetime needs. Productive capacity not needed for such permitted production would be removed as reparations or destroyed.

^{1/} For full text of the Potsdam Protocol (also known as the Potsdam Agreement or Berlin Protocol), see Decade 34-48: Story in Documents 47-57; or Occupation 17-23.

SECRET

The German economy was to be decentralized to eliminate excess concentration of economic power, primary emphasis being given to development of agriculture and peaceful domestic industries. Germany was to be treated as a single economic unit, with common policies on:

- "(a) mining and industrial production and its allocation;
- (b) agriculture, forestry and fishing;
- (c) wages, prices and rationing;
- (d) import and export programs for Germany as a whole;
- (e) currency and banking, central taxation and customs;
- (f) reparation and removal of industrial war potential;
- (g) transportation and communications."

Allied controls were to be imposed on the German economy but only to the extent necessary:

"(a) to carry out programs of industrial disarmament, demilitarization, of reparations, and of approved exports and imports.

"(b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced person in Germany and essential to maintain in Germany average living standards not exceeding the average of the standards of living of European countries. (European countries means all European countries excluding the United Kingdom and the USSR).

"(c) to ensure in the manner determined by the Control Council the equitable distribution of essential commodities between the several zones so as to produce a balanced economy throughout Germany and reduce the need for imports.

"(d) to control German industry and all economic and financial international transactions including exports and imports, with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein.

"(e) to control all German public or private scientific bodies, research and experimental institutions, laboratories, et cetera, connected with economic activities."^{1/}

^{1/} These lists are quoted directly from Article II, Paragraphs 14 and 15 of Potsdam Protocol respectively.

SECRET

In imposing and maintaining economic controls established by the Control Council, German administrative machinery would be used so far as possible, the German people being responsible for administration. German controls counter to the objectives of the occupation would, however, be prohibited. Prompt measures were to be taken:

- "(a) to effect essential repair of transport;
- (b) to enlarge coal production;
- (c) to maximise agricultural output; and
- (d) to effect emergency repair of housing and essential utilities."^{1/}

Although the philosophy of Potsdam was to a large extent punitive, the sections cited acknowledged Allied responsibility for major tasks of reconstruction. The standard of living was no longer tied to the poorest of Germany's neighbors, but to the average of European countries. However, low the level of economic activity contemplated, it was well above that which actually existed in 1945.

The Control Council was to control and dispose of German external assets not already under United Nations control. Payment of reparations was to leave enough resources so that Germany could subsist on a balanced economy. Approved imports would be the first charge on exports, except those of authorized reparations.

Article III of the Protocol, the Reparations Agreement, provided that in general Soviet and Polish reparation claims would be met from the Soviet Zone and claims of other countries from the Western Zones. In addition, the Soviet Union would receive 25 per cent of the industrial capital equipment removed from the metallurgical, chemical and machine industries of Western Germany,

^{1/} From Article II, Paragraph 17 of Potsdam Protocol

SECRET

of which three-fifths, or 15 per cent of the whole, would be subject to offset against an equivalent value of food, coal, potash and other raw materials to be furnished by the Soviets.

The amount of equipment to be removed from the Western Zones for reparations was to be determined within six months at the latest. Removals would begin as soon as possible and would be completed within two years after determination. Products furnished by the Soviet Union as offset to reparations from Western Germany would be delivered in agreed installments within five years. The amount and character of industrial capital equipment unnecessary for the German peace economy and therefore available for reparation were to be determined by the Control Council under policies fixed by the Allied Commission on Reparations with the participation of France, subject to final approval of the Commander of the zone from which equipment was to be moved. Pending fixing of the total amount of equipment subject to removal, advance reparations deliveries were to be made.

The demilitarization and denazification provisions of the Potsdam Protocol, contained in Paragraphs 3-7 of Article II, provided for the dissolution of all German land, naval and air forces, including Nazi formations such as the SS (Schutzstaffel) and SA (Sturmabteilungen) and police agencies such as the SD (Sicherheitsdienst) and Gestapo as well as military and semi-military organizations, clubs and schools. It was the Allied intention, furthermore, "to destroy the National Socialist Party and its affiliated and supervised organizations, to dissolve all Nazi institutions, to insure that they are not revived in any form, and to prevent all Nazi and militarist activity or propaganda." Discriminatory Nazi laws were to be abolished and war criminals and participants in atrocities to be arrested and brought to judgment. Nazi

SECRET

leaders, influential supporters and high officials and other persons dangerous to the occupation were to be arrested and interned.

The Potsdam provision for the denazification of public service and business, paralleling the phraseology of JCS 1067/6, read as follows:

"All members of the Nazi Party who have been more than nominal participants in its activities and all other persons hostile to Allied purposes shall be removed from public and semi-public office, and from positions of responsibility in important private undertakings. Such persons shall be replaced by persons who, by their political and moral qualities are deemed capable of assisting in developing genuine democratic institutions in Germany."^{1/}

German education was to be controlled so as to eliminate Nazi and militarist doctrines and to make possible the successful development of democratic ideas.

Article VI of the Protocol took note of the current negotiations in London on the trial of major war criminals and expressed the hope that the negotiations would result in speedy agreement.

The political provisions of the Potsdam Protocol, after reciting the supreme authority of the four commanders-in-chief, each in his own zone and jointly for all-German questions as members of the Control Council, specified that so far as practicable there would be uniformity of treatment of the German population throughout Germany. It was Allied policy "to convince the German people that they have suffered a total military defeat and they cannot escape responsibility for what they have brought upon themselves, since their own ruthless warfare and the fanatical Nazi resistance have destroyed German economy and made chaos and suffering inevitable." The Allies intended nevertheless, "to prepare for the eventual reconstruction of German political life on a democratic basis and for eventual peaceful cooperation in international life by Germany."

^{1/} Article II, Paragraph 6 of Potsdam Protocol; the analogous portion of JCS 1067/6 is Part I, Article 6c.

SECRET

Specific policies for the reform and reactivation of German government were contained in Paragraphs 8-10 of the Protocol, which are here quoted in full:

"8. The judicial system will be reorganized in accordance with the principles of democracy, of justice under law, and of equal rights for all citizens without distinction of race, nationality or religion.

"9. The administration in Germany should be directed towards the decentralization of the political structure and the development of local responsibility. To this end: --

"(i) local self-government shall be restored throughout Germany on democratic principles and in particular through elective councils as rapidly as is consistent with military security and the purposes of military occupation;

"(ii) all democratic political parties with rights of assembly and of public discussion shall be allowed and encouraged throughout Germany;

"(iii) representative and elective principles shall be introduced into regional, provincial and state (Land) administration as rapidly as may be justified by the successful application of these principles in local self-government.

"(iv) For the time being, no central German Government shall be established. Notwithstanding this, however, certain essential central German administrative departments, headed by State Secretaries, shall be established, particularly in the fields of finance, transport, communications, foreign trade and industry. Such departments will act under the direction of the Control Council.

"10. Subject to the necessity for maintaining military security, freedom of speech, press and religion shall be permitted and religious institutions shall be respected. Subject likewise to the maintenance of military security, the formation of German trade unions shall be permitted."

SECRET

Economic Policies Under Potsdam

From the dissolution of SHAEF (14 July) until December 1945, no comprehensive policy statements were issued by Washington amplifying the economic provisions of JCS 1067/6 or of the Potsdam Protocol. Such guidance as was given consisted of instructions on specific points only. In some cases, accounts of disputes between Washington and the theater dated back to July 1945. For instance, the theater was directed to establish a theater liquidating agency to account for all theater property, including theater equipment, and to take custody of theater property in the possession of SHAEF. About the same time, advice was given that the theater should consider asparagus, artichokes, and other vegetables as theater property. It was suggested that the Germans could well convert their gardens into vegetable gardens. On 5 August 1945 the Civil Affairs Division advised the theater that the British (who were visiting the theater) had the State Department had referred to a War Department proposal that all theater property be turned over to the theater to be assigned to the Commanding General of SHAEF.

The fulfillment of the theater's economic needs assigned to the War Department by the Potsdam Protocol was a complex task. It involved numerous questions and disagreements with the War Department. It was, in fact, necessary to deal with theater requirements for food, clothing, and other necessities. There could be no coordinated supply program for the theater. The theater had to coordinate its theater requirements with the War Department. The theater had to coordinate its purchasing, shipping, and other requirements with the War Department.

- 1/ Cable WL-30377 from the War Department to the theater, 12 July 1945. CAD Decimal File, DRB.
 - 2/ Cable from CAD to the theater, 12 July 1945. CAD Decimal File, DRB.
- SECRET

SECRET

A major program question, discussed at the United Nations Relief and Rehabilitation Administration (UNRRA) Conference in London in August 1945, was whether Military Government should continue feeding the displaced persons in Germany. The administration of UNRRA had proposed that the organization take over this activity and had requested an appropriation of approximately 350 million dollars for the displaced person in Germany and Austria for the next six months. The transfer of functions was supported warmly by both US and British Military Government and by the British War Office.

When Gen Hilldring arrived in London during the Conference, however, he found that the US Delegation was opposing the plan. The Delegation contended that the care of displaced persons should not be borne by UNRRA but should be charged to the Germans, and that the only way to do this was to have Military Government finance the project and then recoup from German exports. Gen Hilldring argued in vain that it was illusory to think of collecting even for supplies furnished the Germans, and that not the Germans but the US Government would be saddled with a staggering outlay. The other delegations in the UNRRA Assembly were not loath to accept the US Delegation's invitation for a free ride. Governor Lehman's proposal to have UNRRA assume the costs of DP care was defeated, and the War Department was forced to assume budgetary responsibility.^{1/}

Another problem, of a procedural nature, occasioned divergent opinions within the War Department. The issue was who should decide whether theater requisitions for imports were allowable under the Potsdam Protocol.

^{1/} Report of Gen Hilldring's Overseas Trip, 26 Aug 45 (mimeographed), GAD Executive Files, AGAW/H, RG-122, DRB. SECRET Although the Department of State had general charge of the US Delegation to UNRRA, the specific decision on displaced persons financing may have been influenced by the Treasury Department, which had named Fred Harold Glasser as financial adviser to the Delegation.

SECRET

The Army Service Forces, which had been charged with developing a plan to implement the Presidential directive of 29 July, presented a staff study on this subject on 7 August 1945. This study stated that although the actual procurement could largely be accomplished through existing War Department procedures, the decision what to procure was a responsibility not of the War Department but of the government as a whole. Army Service Forces recommended that the State Department screen theater requirements.^{1/}

Before any decisions could be made on the Staff Study, the Office of the Quartermaster General made quite a different recommendation, namely that it would screen the requirements. This happened as follows. On 11 August 1945 the International Division of Army Service Forces sent to the Quartermaster General a draft directive on the screening of civilian supply requirements for Germany. This directive stressed the (already obsolete) policy of JCS 1067 forbidding action to support basic living conditions in the US Zone of Germany on a higher level than that existing in any of the neighboring United Nations. On 22 August, OQMG pointed out that to apply this criterion it would need exact statistics on standards of living in various countries. After CAD had explained that the necessary computations would be made by the theater, OQMG wrote an endorsement requesting detailed supply and consumption information on all European countries, availing its intention of making and applying standard-of-living computations. The Civil Affairs Division disagreed with this request, pointing out that the theater was responsible for compliance with the Berlin Protocol. The theater was to make the detailed computations of

^{1/} Memorandum with Staff Study on Theater Requirements (signed by Gen Enoch Somervell) to Asst Sec of War, War Department File GE Germany, RG122, DRB. CONFIDENTIAL

SECRET

requirements would be made by the theater: the War Department in Washington should merely determine the general degree of compliance in terms of simple quantitative factors. CAD went on to state that the approved calorie level of feeding in Germany would be determined as a matter of policy and the Quartermaster General advised.

It is evident that the Civil Affairs Division won its point in this interchange, which lasted from 22 August to 30 November 1945. The question of procurement criteria was kept within the normal military government chain of command. Slightly later we find the Director of CAD writing to the Commanding General of ASF through the Chief of Staff that "you will request allocation of foodstuffs as a military requirement of all approved requirements submitted by the Office of Military Government (US) Germany and take such steps as you deem necessary to permit shipment on short notice of sufficient subsistence supplies to meet a 2000 calorie level for the normal consumer" and stating that a previous instruction is "hereby rescinded."^{1/}

A satisfactory solution was reached for the problem of the American commitment to supply areas of Germany other than the US Zone. The War Department had feared that unless all supplies for Germany were consigned to the theater commander the United States might become committed to supporting distribution that it could not control and that might even violate US policies. This apprehension was confirmed by Gen Hilldring in his theater inspection report of 26 August 1945. Gen Hilldring observed "a very pronounced effort on the part of"

^{1/} Informal War Dept Memoranda, Subject: Level of living conditions in US Zone of Germany, various dates from 11 Aug to 30 Nov 45, WDSCA Decimal File 071 Germany, DRB, SECRET; Memorandum from Director, CAD, to Commanding General, ASF, 26 Dec 45, Subject: Subsistence supplies - Germany, WDSCA Decimal File 091 Germany, DRB.

SECRET

the British to be lavish in the use of supplies, particularly food, in their zone in Germany," citing several specific cases. He felt that permitting the British a free hand in distributing food in Germany might result in a higher level of feeding in the British Zone than elsewhere. Without US Military Government control over United States supplies introduced into Germany, there was danger of four-way competition to outdo one another in feeding the Germans in the four zones.

Under arrangements negotiated during the late summer and early fall of 1945 the combined supply system inherited from SHAEF was terminated after the October 1945 loadings. Thereafter, each occupying power was responsible for its own zone. A US-British arrangement was set forth in paper CCAC 203/1, approved by the Combined Civil Affairs Committee. In this paper it was agreed that US responsibility for provision of supplies for Germany would be restricted to the US Zone. Exports would be made only against payment, and the proceeds thereof would be utilized for the payment of imports. Pending quadripartite agreement on an export-import program, US and British Zone export proceeds would be placed in a common pool.^{1/} It was of course contemplated that this bizonal arrangement would be soon superseded by a quadripartite export-import program approved by the Control Council and administered through a central German agency. Instead it turned out to have been the precursor of formal bizonal economic unification.

On various minor points the arrangement was modified by the theater and approved without delay on 21 December. Authorization was given for the release of

^{1/} Memorandum, Executive Committee of Control Council, action taken on items of Gen. Hilldring's inspection report, 16 Jan 46, CAC Executive File AGAW-II, RG-122, DRB, SECRET; Decision 169-170.

SECRET

captured German war material to maintain the minimum German standard of living, and for the rehabilitation and sale of surplus civilian-type US Army equipment. On the question of permitting private relief agencies to operate in Germany for the benefit of German nationals, the Joint Chiefs of Staff made a negative decision communicated to the theater on 3 September 1945, with the proviso that the theater commander could reopen the question whenever he considered a change in policy appropriate.^{1/}

General Clay Takes the Initiative on Reparations Policy

Policy development in the field of reparations during most of 1945 was retrograde in the sense that the total result was the loosening and adaptation of policy rather than the formulation of increasingly specific policy. The trend was not the formulation of directives by Washington and their acceptance by the theater, but rather the effort of Military Government to free itself from specific requirements that might hamper an economic program tailored to fit conditions actually found in Germany. Reparations was also an issue on which Gen Clay made a successful stand for unified authority and responsibility of the theater commander.

As early as 7 May 45, Gen Clay had remarked that the Reparations Commission established in Moscow to implement the Yalta Agreement might perhaps tend to usurp the authority of the Allied Control Council and of Military Government. If the Reparations Commission limited itself to policy, he wrote to Gen Hildyng,

^{1/} Cables, USFET to WD, S-18049 of 16 Aug 45; WD to USFET, WAR 51778 of 17 Aug 45; ASD to USFET, WAR 59110 of 4 Sep 45 and JCS to CG USFET, WAR 59057 of 3 Sep 45; GAO Historical File, RG-122, DRB. First two SECRET, others CONFIDENTIAL.

SECRET

satisfactory working arrangements could still be developed. The Commission should not, however, undertake to specify particular items of equipment to be allocated as reparations.^{1/}

Instructions for the US representative on the Reparations Commission were developed during the spring of 1945 by the Informal Policy Committee on Germany and approved by the President on 18 May 1945. The Representative was instructed to advocate policies generally similar to those set forth in JCS 1067/6 but with important qualifications, mainly designed to avoid reparations that would force the United States to make a financial contribution to the German economy. Furthermore, the instructions stated flatly that the United States would not accept reparation in the form of labor services. In general, the US Government intended to urge that compulsory labor outside Germany should be limited to persons judicially convicted as war criminals and to members of European Axis organizations criminal in themselves.

The Yalta "Protocol on German Reparations" had charged the Reparations Commission with preparing "a detailed plan for exaction of reparation from Germany." This language could be interpreted in several ways and its ambiguity raised the question whether the Reparations Commission would assume a supervisory function over the reparations activities of the Control Council. The instructions given to Ambassador Pauley, the US representative, did not so state directly but implied rather strongly that the Reparations Commission or a successor agency would exercise a controlling function. They provided that the Reparations Commission would determine the "nature and amounts" of

^{1/} Ltr. Gen Lucius D. Clay to Gen John J. Hilldring, 7 May 45, CAD Decimal File 334 USCCC/G, RG-122, DRB. CONFIDENTIAL

SECRET

equipment and materials to be removed as interim reparations pending formulation of a final program.^{1/}

It is no rare tendency for technical organizations, charged with advisory functions, to try to move into the field of operations. Since Ambassador Pauley was charged with interpreting US reparations policy in the Reparations Commission, he was naturally tempted to interpret it to military government officials carrying out the reparations program. It was also to be expected that military government officials would ask for such interpretations, since the US delegation on the Reparations Commission had part of its staff in Germany.

On 23 June 1945 the War Department notified the theater that the President had approved Ambassador Pauley's request "to coordinate the USQCC with Pauley's organization."^{2/} There are no records of any actual coordinative measures, but there are reports from members of Pauley's staff indicating that in June 1945 military government officers in the field failed to understand Washington policy. Americans faced with idle men and machinery and resultant economic dislocation were naturally prone to take corrective steps: this was wrong, because it would lead to Military Government's undertaking to reconstruct the German economy.^{3/}

The potential importance of Pauley's staff as an agency of transmission, if not formation, of reparations policy was enhanced by a statement of Secretary of War Stimson in a letter of 4 July 1945 to the State Department:

^{1/} Informal Policy Committee on Germany, instructions for US representative on the Reparations Commission, IPCOG 2/2, 21 May 45 (containing notation of Presidential approval on 18 May 45), CAD IPCOG File, DRB. SECRET

^{2/} Cable, War Dept CM OUT 21841, 23 Jun 45, CAD Numerical File, RG-122, DRB. SECRET

^{3/} Report on Field Trip by Moses Abramovitz to Isadore Lubin, forwarded through Pauley to McCloy, 30 June 45, ASW Decimal File 370.8 Germany, DRB. CONFIDENTIAL

SECRET

"I feel strongly that the War Department should not determine the reparations policy to be followed in the administration of Military Government in Germany. In my opinion such policy should not be the subject of military decision but should be established by the appropriate policy making agencies of the government and transmitted to the War Department for administration."

Ambassador Pauley, however, made no effort to move into the apparent policy vacuum. The Soviets interpreted the Potsdam Protocol as requiring the Reparations Commission to prescribe further policies, and they introduced in the Control Council a proposal that the Commission be asked to draft detailed specifications of the industrial equipment to be removed for reparations. Pauley, however, considered that the Potsdam Agreement itself established the necessary policies.

As Pauley explained to Gen Clay, the Reparations Commission had only two remaining important tasks: to give general guidance to the Control Council in determining the total of unnecessary capital equipment, and to get claimant nations to agree on the division of reparations. Otherwise, the reparations question was bound up with economic problems which could be decided only by the Control Council. Pauley decided, therefore, to leave in Germany only a small nucleus of his staff, which would work closely with the OMGUS Economic and Legal Divisions. The Ambassador, who was on his way back to Washington, designated Gen Draper of OMGUS and Henry Fowler of FEA to represent him at the meeting of the Reparations Commission called for 1 September 1945, so that

1/ Ltr, Sec of War Henry L. Stimson to Acting Sec of State, 4 July 45, CAD Decimal File 385, RG-122, DRG. SECRET

2/ Ltr, Gen Lucius D. Clay to Asst Sec of War John H. McCloy, 3 Sep 45, OMGUS File, "General Clay's Letters," KCRC.

3/ Ltr, Edwin W. Pauley, US member of Allied Reparations Commission (writing from Berlin) to Lt Gen Lucius D. Clay, 4 Aug 45, CAD Decimal File 014 Germany, DRB.

SECRET

Military Government enjoyed a major share in determining the US position at that meeting.

In the end, however, it was Gen Clay who took the initiative in disposing of what were at least implied US policies on the reparations question. As mentioned earlier, the Foreign Economic Administration, Enemy Branch, had for several years been developing a plan for the "industrial disarmament" of Germany.^{1/} In August 1945 a mission of the FEA, headed by Director Henry Fowler of the Enemy Branch, arrived in Germany with a complete set of the so-called TIDC (Technical Industrial Disarmament Committee) studies. The War Department made it plain that in permitting the Mission it was making no commitment on the substance of the FEA proposals.^{2/} Gen Clay managed, quietly but effectively, to bury the entire FEA project, thus leaving his hands free to deal with reparations in terms of economic and political conditions as they actually developed within the theater.

Upon arrival of the FEA Mission in Berlin, Gen Clay, at the OMGUS Staff Meeting of 19 August 1945, urged personnel to consult with this group but to withhold commitments on policy until results of the TIDC studies had been reconciled with the reparations program. To Captain Bruce G. Leighton, USNR, member of the (War-Navy) Ad Hoc Inter-Departmental Committee for FEA Projects, who visited Berlin at the same time as the Fowler Mission, Clay commented that the TIDC reports were "valuable basic reference works," that the work of the

^{1/} See Chapter 5, "The Effect of JCS 1067 on Washington Planning," also A Program for German Economic and Industrial Disarmament, a study submitted by the Foreign Economic Administration (Enemy Branch) to the Subcommittee on War Mobilization, Committee on Military Affairs, US Senate, Subcommittee Monograph No. 6 and Appendix thereto, 79th Congress, 2nd Session, Washington, Apr 46.

^{2/} State Dept Cable No. 229, Sec of State to USPOLAD, Frankfurt, 6 Aug 45, WDSOA Decimal File 014 Germany, DRB. CONFIDENTIAL

SECRET

Technical Industrial Disarmament Committees should now be considered completed and that the committees might properly be dissolved. The specific recommendations contained in the reports, said Gen Clay, were adequately dealt with in the Potsdam Declaration. The proposal to eliminate completely specific industries would need to be reconsidered in conjunction with the unexpected cession of German territory to Poland, the uncertainty of Russian policies in the Soviet Zone and the doubtful status of the Saar. Furthermore, the FEA studies had assumed a greater German industrial capacity than actually existed. After the Fowler Mission had come and gone, Gen Clay wrote to McCloy that the consensus in OMGUS was "that the separate studies of the German industries are generally well done." They were, however, distorted by the fact that each industry was studied separately and that they were prepared before Silesia was transferred to Polish control. "For these reasons, as Fowler himself apparently recognizes, the aggregate program of the FEA reports is more extreme than is feasible or is necessary for effective disarmament. Consequently, wide distribution of these studies might be misleading and prejudicial to our job here." Gen Clay went on to state his conclusions as follows:

"In my opinion, the FEA should not make any over-all reports or recommendations. Events have overtaken their project; any FEA program would be too late to be useful and might be embarrassing to our efforts to work out the problems here on the ground. My suggestion is that you write Mr. Crowley a letter thanking him for the assistance of the FEA in compiling the material contained in the separate studies, and at the same time urging strongly that no further steps be taken to complete any over-all report."^{1/}

The recommendations made by Captain Beighton upon his return to Washington, and endorsed by Rear Admiral T. D. Ruddock and Brigadier General H. C. Minton,

^{1/} Ltr, Gen Clay to Asst Sec of War McCloy, 3 Sep 45, OMGUS File "General Clay's Letters," KCRC.

SECRET

the Senior Members of the Ad Hoc Committee, followed closely the suggestions of Gen Clay. Since practically all "civilian" industry can be turned to martial uses, they pointed out, the complete elimination of certain products having both military and civilian uses was unrealistic. The Ad Hoc Committee considered that decisions to eliminate entire civilian industries should either be made by US Military Government or referred to it before adoption as US policy.^{1/} In the meantime, it was Calvin Hoover, whose views were decidedly at variance with those of the FEA, who was assigned by Gen Clay to had a committee reporting on industrial disarmament and reparations in relation to the German standard of living.^{2/}

First Steps in Denazification

Simultaneously with the events just recounted, US Military Government was developing its denazification program, under JCS 1067/6 and the Potsdam Protocol. During the initial months of the occupation major attention was given to the mandatory arrest program, the bible for which was the Arrest Categories Handbook issued by SHAEF in April 1945. This handbook called for the detention of the leaders in almost every governmental department and administrative agency, all ranking Nazis and youth leaders, all leaders of para-military formations and all members of the security and political police. Following the categories set

^{1/} Memorandum, Subject: Ad Hoc Committee Reports on FEA Projects No. 1, 2, and 4; consultation with USGCC, by Captain Bruce G. Leighton, USNR, 5 Sep 45; Endorsement by Rear Admiral Ruddock and Brig Gen Minton, Senior Navy and Army Members of Ad Hoc Committee, 19 Oct 45, WDSCA Decimal File 014 Germany, DRB. CONFIDENTIAL

^{2/} Minutes of OMGUS Staff Meeting 15 Sep 45, OMGUS Civil Administration Division File 001, "Staff Meetings," KCRC. CONFIDENTIAL

SECRET

forth in the handbook, military police arrested and confined in camps more than 100,000 individuals by the end of 1945.^{1/}

Curiously enough, an analogous arrest categories handbook issued in Washington was not used. The Washington handbook had been cleared by the interdepartmental Committee on Civil Affairs Studies and had been issued in March 1945 "for the information and guidance of all concerned" with a covering letter by Gen Marshall. It appears, however, that those in charge of denazification within the theater were not even aware of the existence of War Department Pamphlet No. 31-110A entitled Military Government Guide for Dissolution of the Nazi Party and Its Affiliated Organizations. Denazification of Important Business Concerns in German.^{2/}

The War Department arrest handbook contained several categories not included in the SHAEF Manual, such as leaders of regional economic chambers, as well as a list of approximately 1800 business leaders identified by name. Its use would have raised the number of mandatory arrests.

A large denazification apparatus was established rapidly. A SHAEF cable to Washington on 1 May 1945 called forward 152 investigators to manage the denazification of German government and industry,^{3/} a figure representing

1/ SHAEF, Office of AC/S, G-2, Counter Intelligence Subdivision, Evaluation and Dissemination Section, Arrest Categories Handbook: Germany, Apr 45, as cited in Denazification 24. See also Decision 69, and W. Friedmann, The Allied Military Government of Germany, London 1947, Chapter 7, especially pp 119-120.

2/ Memorandum of 2 January 46, R. A. Mixon to Lt Col R. R. Bowie indicates that the OMUS Denazification Working Committee was not aware of WD pamphlet No. 31-110A. No other references to the pamphlet were found in the denazification files searched for this study, nor is it mentioned in the Bibliography of Denazification.

3/ Cable, SHAEF to War Dept, CM IN 329 of 1 May 45, CAD Numerical File, RG-122, DRB. CONFIDENTIAL

SECRET

only a fraction of the total establishment. Almost every German suspected of Nazi affiliations or having contact with the US Forces was required to fill out a Fragebogen, a long questionnaire giving a complete record of his political and organizational activity. By May 1946, when the Germans took over the denazification program, the Special Branch of Military Government has processed 1,521,632 of these Fragebogen.^{1/}

The basic post-surrender denazification directive was issued upon the recommendation of USGCC by Headquarters, ETOUSA on 29 June 1945. It was based largely on JCS 1067/6 and contained long list of "mandatory removal and exclusion" and "discretionary removal and exclusion" categories, as well as detailed procedure for removing the individuals concerned from public office or from positions of importance in quasi-public and private enterprise. The directive was confirmed on 7 July 1945 by incorporation in a general USFET Directive on "Administration of Military Government in the US Zone of Germany."^{2/}

The theater denazification directive was developed without any guidance from or consultation with Washington. There was, however, considerable discussion within USGCC. The original draft directive was prepared by the unit functionally responsible for denazification policy, namely the Public Safety Branch of the Internal Affairs and Communications Division of USGCC. The initiative was, however, seized by Col Bernard Bernstein, the Director of the USGCC Finance Division, whose denazification of German banks was so thorough as practically

^{1/} Denazification (Cumulative Review), Report of the Military Governor, No. 34, Apr 48, p 3, also Denazification (Kormann) 26.

^{2/} Ltr, HQ ETOUSA "by Brig Gen R. B. Lovett, Adjutant General) to Commanding General, 12th Army Group, with attached directive, subject: Removal of Nazi and Militarists; Directive, HQ USFET, 7 Jul 45, "Administration of Military Government in the US Zone of Germany" OMGUS AG Decimal File 014.1-1 (Germany), KCRG. CONFIDENTIAL

SECRET

to paralyze these institutions. Bernstein insisted that the directive be considered by an interdivisional committee.^{1/}

Bernstein criticized the "lukewarm" tendency of military government field personnel to remove only the most flagrant and obvious Nazis. Officers with narrow experience, he stated, tended to over-emphasize the importance of orthodox "normal" banking factors rather than the overall strategic and political objectives of purging the financial system of Nazi and anti-democratic influences. He advocated more use of "indigenous anti-fascist groups." On 19 June 1945 Col Bernstein sent Gen Clay a memorandum stating that "the proposed directive completely destroys in actual effect the prohibition in 1067 of considerations of expediency in retaining Nazis."^{2/}

As a result, the directive was made more severe. Mandatory removal was required for all Nazis who joined the NSDAP before 1 May 1937 (rather than 1 April 1933). Retention for reasons of expediency was strictly limited and USGCC approval was required for appointment or reinstatement of anyone who fell in a mandatory removal category.^{3/}

The basic directive was supplemented by a letter of 15 August 1945 extending its application to "Nazis and Militarists engaged in business, professions and other occupations and to like persons who neither hold public office nor

^{1/} Report of USGCC Finance Division, May 1945, ASW Decimal File 370.8 Germany, DRB. **SECRET** The author's own observation and that of others indicate that Bernstein proceeded on the theory that all bankers must be Nazis. Many were removed simply because of their positions.

^{2/} Memorandum, Col Bernstein, Director, Finance Division, to Gen Clay, 19 June 45, ASW Decimal File, 370.8 Germany, DRB. **SECRET**

^{3/} Monthly Report on Financial Aspects of the Allied Occupation of Germany, June 1945, from Col Bernard Bernstein, Director, Finance Division, USGCC, to Gen Clay, 30 July 45, ASW Decimal File 370.8 Germany, DRB. **SECRET**

SECRET

are otherwise employed or engaged." Finally, Military Government Law No. 8 was promulgated on 26 September 1945. This law made it unlawful for any business enterprise to employ any member of the Nazi Party or of its affiliate organizations in any supervisory or managerial capacity, or otherwise than in ordinary labor. Any enterprise desiring to open was required to certify compliance with this rule, and any enterprise which failed to comply would be immediately closed by military government. Violators of the law would, "upon conviction of a Military Government Court, be liable to any lawful punishment as such court may determine." During the fall of 1945, the directive and Law No. 8 were supplemented by a variety of implementing measures.^{1/}

All of the foregoing measures were decided by Gen Clay and his associates without any guidance or instructions whatsoever from Washington. Such communication as there was on denazification between Washington and the field was confined to individual cases, such as the "Rosenheim Case," involving an alleged member of the SS appointed by Military Government as Buergermeister and the "Patton Affair" occasioned by the remarks of that General about Nazis and anti-Nazis being "like Democrats and Republicans." There was, of course, consistent pressure from organized groups in the United States, such as the Society for the Prevention of World War III, insisting on drastic denazification. This pressure was reflected in the press and in much of the mail received in the War Department and in the theater.

^{1/} Military Government Law No. 8, "Prohibition of Employment of Members of Nazi Party in Positions in Business Other Than Ordinary Labor and for Other Purposes," as attached to USFET Directive of 6 Oct 45, WDSCA Decimal File 014 Germany, DRB. Denazification 31-32

SECRET

US Military Government was also able to gain at least official acceptance of its ideas in the Allied Control Council. On 10 October 1945 the Control Council enacted Law No. 2, providing for the termination and liquidation of 62 National Socialist organizations and confiscation of their property. Shortly thereafter the United States introduced in the Internal Affairs and Communications Directorate a draft directive similar to that already promulgated for the US Zone. In spite of certain differences in the approach to denazification taken by the several Allies, the Directorate approved the paper on 24 November 1945. After further discussion it was adopted by the Control Council as Directive No. 24 of 12 January 1946. Appended to the Directive was a list of 98 compulsory removal categories of war criminals, officials of the NSDAP and its formations, higher public officials and officials of business organizations, supplemented by 22 discretionary removal categories.^{1/}

One phase of denazification that concerned Washington was the fate of the thousands of individuals who had been confined in camps under the mandatory arrest provisions of JCS 1067/6. It occurred to War Department officials that without a further directive the mandatory arrestees might be confined indefinitely. Upon inquiry, however, OMGUS advised the Department that it considered paragraph 8B of Directive JCS 1067/6 sufficient to permit release of arrestees after hearings before boards of review under administrative procedure. These review boards were established by an OMGUS Directive of 15 November 1945.^{2/}

^{1/} Control Council Directive No. 24, Removal From Office and From Positions of Responsibility of Nazis and of Persons Hostile to Allied Purposes, 12 Jan 46, Control Council Paper, CONL/P (45) 64 (final), reprinted (without attached lists) in Occupation of Germany. Policy and Progress, Dept of State, Publication 2783, Washington 1947, pp 113-117.

^{2/} Cables, CAD to USGCC, WAR 57473 of 29 Aug 45, USGCC to MARCAD, CC 15766 of 6 Sep 45, CCAC Germany File, RG-999, DRB. CONFIDENTIAL. Denazification 33-35

SECRET

Restoration of German Governments

During the summer and fall of 1945, progress was also made in the restoration of German government on the local and Land (state) levels. The decision to organize the German administration up to the Regierungsbezirk (administrative district) level had been made by SHAEF before surrender. Within two months after the close of hostilities, municipal, Kreis (county) and Regierungsbezirk governments in the US Zone had been reactivated.

Initially, there were complicating factors. As Zink relates, the headquarters commandant at Frankfurt decided that he would like "a little feudal state to play with" and obtained a SHAEF order setting up a "Frankfurt Enclave" with neither political nor administrative unity. The Enclave was soon abolished, but there ensued an argument whether the Western Military District (the US Zone other than Bavaria) should form one or more Laender. The decision to form three Laender appears to have been made in Washington, but thereafter the restoration of German government was left entirely to Military Government, which made its own policies.^{1/}

A provisional Land government for Bavaria was established on 28 May 45, followed by organization of Land governments for Wurttemberg-Baden, Hessen-Nassau and Hesse on 22 June. At the request of the Germans, Hessen-Nassau

^{1/} Harold Zink, American Military Government in Germany, New York 1947, pp 98-99. The correspondence on the organization of Laender in the Western Military District could not be located. The Laender established were: Wurttemberg-Baden, consisting of the northern halves of the old Laender Wurttemberg and Baden, the southern portions being occupied by France; Hesse, an existing Land of two separate sections, minus a portion on the left bank of the Rhine assigned to the French Zone; and Hessen-Nassau, consisting of the Prussian provinces of Kurhessen and Hessen-Nassau, the latter minus four Kreise assigned to the French.

SECRET

and Hesse were merged on 19 September 1945 to form the single state of Greater Hesse (later called Hesse) so that the US Zone then had three Laender, not counting Bremen or the US Sector of Berlin. On 7 August 1945 the theater issued instructions to permit political activity at the Kreis level and on 20 September 1945 a directive was sent out providing for preparation of local government codes for each Land and announcing a tentative schedule of elections for local and Land governments.^{1/}

On 5 October 1945 USFET issued a major directive, prepared by USGCC, entitled "Reorganization of Military Government Control Channels in order to develop German responsibility for self-government." This directive began by pointing out that, although initially military government personnel at all levels had been required to establish German administrative machinery, it had always been the purpose of the United States to permit the German people to develop free government. It was also simpler to control Germany through German administrative machinery rather than directly through military government officials. Removal of Nazis had proceeded far enough so that additional responsibilities could be turned over to the German administration.

The directive announced a period of transition to an organization that would exercise controls only at the higher levels of German Government. By 15 November 1945 the local military government detachments in Landkreise and Stadtkreise would cease all local functional control, as distinguished from general policy control, over the German civil government. Operational functions would be handled in rural counties by the Landrat (County Administrator) and in cities by the Oberbuergermeister (Mayor). Military government

^{1/} USFET Directive, "Administration of Military Government in the US Zone of Germany" (amending directive of 7 July 45), WDECA Decentral File 014 Germany, DRB.

detachments would be reduced to officers "performing duties peculiar to military government." By 15 December 1945 the Regierungsbezirk detachments would transfer functional control to the respective Regierungspraesidenten. After the elections that had been scheduled, the military government detachments would be withdrawn and replaced by Liaison and Security Offices responsible for relations between occupational troops and the civil government. These were to consist normally of only two officers each plus necessary administrative personnel.^{1/}

Action was also taken to establish a provisional organ of government for the entire United States Zone. At a meeting held in Stuttgart at the invitation of Military Government on 18 October 1945, the Ministers-President of the Laender established the Laenderrat or Council of States of the US Zone. The function of the Laenderrat was to coordinate all matters of German administration affecting more than one Land within the US Zone, including agreement on laws and regulations for which some uniformity was necessary as well as supervision of the special administrations (Sonderverwaltungen) that managed the railroads and postal service. The Laenderrat itself, consisting of the Ministers-President of Bavaria, Greater Hesse and Wuerttemberg-Baden (and later the Burgermeister of Bremen) with their deputies, met regularly the first Tuesday of each month. It had a number of technical committees for subjects such as economics, industry, food and agriculture, evacuation and resettlement, manpower, and communications, as well as a permanent secretariat organized into functional branches. To provide military government liaison

^{1/} Directive, HQ USFET, Reorganization of Military Government Control Channels in Order to Develop German Responsibility for Self-Government, 5 Oct 45, WDSCA Document File 014 Germany, DRB. RESTRICTED.

with the Landerrat, there was established the Regional Government Coordinating Office, the Director of which reported directly to the Deputy Military Governor (Gen Clay).^{1/}

The principle of turning governmental activities back to the Germans as rapidly as feasible, and of minimum interference in German governmental activities, was a basic doctrine of US Military Government. It distinguished American practice to a considerable extent from that of the other occupying powers, which tended in varying degrees to attempt to introduce their own political institutions into Germany and which were slower than the United States in according to the Germans genuine governmental authority. This basic policy was developed in the matter with no guidance whatever from Washington. A year later, it was formulated as governmental policy by Secretary of State Byrnes who said: "It is the policy of the American Government that the German people throughout Germany, under proper safeguards, should now be given the primary responsibility of their own affairs."^{2/}

^{1/} Occupation 101-103 (citing USFET Directives on Local Government, USFET 45, "Reorganization of MG Control Channels in Germany, Responsibility for Self-Government," WDSCA Declass File 0 UNCLASSIFIED).

^{2/} Restatement of US Policy on Germany, address by Mac J. Nease, Stuttgart, 6 Sep 46, reprinted in Story in Documents 3-6 as

~~SECRET~~

AD

317 200

Reproduced by

Armed Services Technical Information Agency

ARLINGTON HALL STATION; ARLINGTON 12 VIRGINIA

THE UNITED STATES GOVERNMENT OR OTHER DRAWINGS, SPECIFICATIONS OR
OTHER DATA, OR FOR ANY PURPOSE OTHER THAN IN CONNECTION
WITH THE UNITED STATES GOVERNMENT PROCUREMENT OPERATION,
THE UNITED STATES GOVERNMENT THEREBY INCURS NO RESPONSIBILITY, NOR ANY
OBLIGATION; AND THE FACT THAT THE GOVERNMENT MAY
HAVE FINANCED, OR IN ANY WAY SUPPLIED THE SAID
DRAWINGS, SPECIFICATIONS, OR OTHER DATA IS NOT TO BE REGARDED BY
ANY OTHER PARTY AS AN IMPLICATION OR OTHERWISE AS IN ANY MANNER LICENSE THE HOLLE
GOVERNMENT OR CORPORATION, OR CONVEYING ANY RIGHTS OF
PATENT, OR INVENTION, OR USE OR SALE OF A PATENTED INVENTION
OR ANY OTHER RIGHTS THAT MAY BE RELATED THEREOF.

